S. Hrg. 99-1022

ALTERNATIVE PAY SYSTEMS IN THE FEDERAL GOVERNMENT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE, AND GENERAL SERVICES

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

APRIL 15, 30, AND MAY 14, 1986

S. 1327, S. 1727, and S. 2082

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
66-308 O WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S401-26

66-308 O - 87 - 1

COMMITTEE ON GOVERNMENTAL AFFAIRS

WILLIAM V. ROTH, Jr., Delaware, *Chairman*

TED STEVENS, Alaska
CHARLES McC. MATHIAS, Jr., Maryland
WILLIAM S. COHEN, Maine
DAVE DURENBERGER, Minnesota
WARREN B. RUDMAN, New Hampshire
THAD COCHRAN, Mississippi

THOMAS F. EAGLETON, Missouri
LAWTON CHILES, Florida
SAM NUNN, Georgia
JOHN GLENN, Ohio
CARL LEVIN, Michigan
ALBERT GORE, Jr., Tennessee

Franklin G. Polk, *Chief Counsel and Staff Director*
Margaret P. Crenshaw, *Minority Staff Director*

Subcommittee on Civil Service, Post Office, and General Services

TED STEVENS, Alaska, *Chairman*

CHARLES McC. MATHIAS, Jr., Maryland
DAVE DURENBERGER, Minnesota

ALBERT GORE, Jr., Tennessee
CARL LEVIN, Michigan

Wayne A. Schley, *Staff Director*
Thurgood Marshall, Jr., *Minority Staff Director*
Pat Phillips, *Chief Clerk*

CONTENTS

Opening statements: Page
- Senator Stevens 1
- Senator Gore 1

WITNESSES

Tuesday, April 15, 1986

Hon. Dan Quayle, U.S. Senator from the State of Indiana 3
Hon. John W. Warner, U.S. Senator from the State of Virginia 6
Hon. Paul S. Trible, Jr., U.S. Senator from the State of Virginia 6
Hon. Frank R. Wolf, U.S. Congressman from the State of Virginia 9
Hon. Jeff Bingaman, U.S. Senator from the State of New Mexico 10
Hon. Don Fuqua, U.S. Congressman from the State of Florida 14
David Packard, chairman of the board, Hewlett-Packard Co., Palo Alto, CA 16
Carl E. Grant, director, Personnel Programs Division, National Aeronautics and Space Administration 25
Edward E. Nicholas, Jr., director of personnel, National Institutes of Health 26
J.M. Schulman, director, Office of Personnel, Department of Energy 27
Frank P. Cipolla, director, personnel management, Office of the Deputy Assistant Secretary of Defense (civilian personnel policy) 28

Wednesday, April 30, 1986

Rosslyn S. Kleeman, associate director, General Government Division, U.S. General Accounting Office, accompanied by Thomas A. Eickmeyer, group director, General Government Division, GAO 41
Michael E. Minahan, president, Federal Managers Association, accompanied by Catherine Ball, legislative counsel, FMA 43
G. Jerry Shaw, general counsel, Senior Executives Association, accompanied by Richard L. Strombotne, member, board of directors, SEA 45
James Peirce, president, National Federation of Federal Employees, accompanied by Tricia Thomas, legislative director, NFFE 50
Robert M. Tobias, national president, National Treasury Employees Union 52
Martin L. Duggan, chairman, Advisory Committee on Federal Pay, accompanied by Lucretia Tanner, executive director 58

Wednesday, May 14, 1986

Constance Horner, Director, Office of Personnel Management, accompanied by Kathleen Connelly, chief, research and demonstration staff, OPM 65
Kenneth T. Blaylock, president, American Federation of Government Employees; Edward S. Murphy, legislative counsel, National Association of Government Employees; Ralph J. McElfresh, Jr., vice president, International Federation of Professional and Technical Engineers; and Jerry W. Cox, president, NASA council of IFPTE locals 75
John W. Gregorits, P.E., past chairman, Professional Engineers in Government, National Society of Professional Engineers, Dover, NJ, accompanied by Donald G. Weinert, P.E., executive director, NSPE 91
Ray Kline, president, National Academy of Public Administration 97

Alphabetical List of Witnesses

Ball, Catherine: Testimony 43
Bingaman, Hon. Jeff:
- Testimony 10

Page
Bingaman, Hon. Jeff—Continued
  Prepared statement with an attachment 192
Blaylock, Kenneth T.:
  Testimony 75
  Prepared statement 317
  Responses to written questions 334
Cipolla, Frank P.:
  Testimony 28
  Responses to written questions 260
Connelly, Kathleen: Testimony 65
Cox, Jerry W.: Testimony 75
Duggan, Martin L.:
  Testimony 58
  Prepared statement 297
  Responses to written questions 305
Eickmeyer, Thomas A.: Testimony 41
Fuqua, Hon. Don: Testimony 14
Grant, Carl E.:
  Testimony 25
  Prepared statement 221
  Responses to written questions 223
Gregorits, John W.:
  Testimony 91
  Prepared statement 350
Horner, Constance:
  Testimony 65
  Prepared statement 308
Kleeman, Rosslyn S.:
  Testimony 41
  Prepared statement 272
  Responses to written questions 277
Kline, Ray:
  Testimony 97
  Prepared statement 364
McElfresh, Ralph J., Jr.: Testimony 75
Minahan, Michael E.: Testimony 43
Murphy, Edward S.:
  Testimony 75
  Prepared statement 339
  Responses to written questions 347
Nicholas, Edward E., Jr.:
  Testimony 26
  Prepared statement 227
  Responses to written questions 231
Packard, David:
  Testimony 16
  Prepared statement 211
Peirce, James:
  Testimony 50
  Prepared statement 291
Quayle, Hon. Dan:
  Testimony 3
  Prepared statement 165
Schulman, J.M.:
  Testimony 27
  Prepared statement 239
  Responses to written questions 244
Shaw, G. Jerry:
  Testimony 45
  Prepared statement 280
Strombotne, Richard L.: Testimony 45
Tanner, Lucretia: Testimony 58
Thomas, Tricia: Testimony 50
Tobias, Robert M.: Testimony 42
Trible, Hon. Paul S., Jr.:
  Testimony 6
  Prepared statement 180

Page

Warner, Hon. John W.:
  Testimony 6
  Prepared statement with an attachment 171
Weinert, Donald G.:
  Testimony 91
  Prepared statement 356
  Responses to written questions 360
Wolf, Hon. Frank R.:
  Testimony 9
  Prepared statement with an attachment 187

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Text of S. 1327 103
Summary of S. 1327 115
Text of S. 1727 116
Summary of S. 1727 141
Text of S. 2082 142
Summary of S. 2082 164
Prepared statements of witnesses 165
Letter to Senator Stevens, chairman, Subcommittee on Civil Service, Post Office, and General Services, from Charles A. Pounian, president, International Personnel Management Association, dated May 12, 1986 370
Statement of Stephen G. Kellison, executive director, American Academy of Actuaries 372

ALTERNATIVE PAY SYSTEMS IN THE FEDERAL GOVERNMENT

TUESDAY, APRIL 15, 1986

United States Senate,
Subcommittee on Civil Service,
Post Office, and General Services,
Committee on Governmental Affairs,
Washington, DC.

The subcommittee met, at 10 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens, Gore, and Levin.

Staff present: Wayne A. Schley, staff director; Jeffrey D. Landry, assistant counsel; Thurgood Marshall, Jr., minority staff director; Pat Phillips, chief clerk.

OPENING STATEMENT OF SENATOR STEVENS

Senator Stevens. This is the time set for the subcommittee to receive testimony concerning three bills affecting the civil service pay system. This is the first day of 3 days of hearings on these bills. The subsequent hearings are currently scheduled for the 25th and the 30th of this month in this hearing room at this same time, 10 a.m.

The subjects of these hearings will be: S. 1327, S. 2082, and S. 1727. S. 2082 is not before this subcommittee although Senator Quayle has agreed that it should be included.

We are all familiar with the shortcomings of the Federal pay system. The pay comparability system, in my judgment, has broken down. There is evidence to suggest that agencies are experiencing significant recruitment and retention problems, particularly in the scientific and engineering occupations. The white-collar classification system is viewed by many as inflexible and its administration leads to micromanagement of the work force.

In short, we believe that the Federal pay system needs to be retuned, and perhaps, restructured. The bills before us today are starting points for this discussion and quite possibly, offer solutions to the problems. We will look forward to the comments of our witnesses.

Do you have an opening statement, Senator?

OPENING STATEMENT OF SENATOR GORE

Senator Gore. Thank you, Mr. Chairman.

I would like to thank you for calling this series of hearings.

Improving the Government's ability to attract and retain top quality personnel is a problem that must be addressed and solved quickly. There have been numerous calls from such groups as the panel chaired by Mr. David Packard, who will be here today; the Grace Commission; the Department of Defense; the Office of Science and Technology Policy, and others for legislation to correct the current situation.

They feel, as I do, that the Government is losing far too many talented employees, particularly in the fields of hard science to private industry.

The Federal Government has a responsibility for important research and development work. To insure that agencies like the National Institute of Health can continue their tradition of fine work, Congress must give these agencies the best tools possible to recruit and keep the best and the brightest.

That's why I am happy to be a cosponsor of S. 1727. This bill incorporates the best features of the Navy's alternative personnel system, which has been in effect as a demonstration project since 1980. It would create general classification levels to replace General Schedule grades, the use of broad pay bands, within those classification levels, and the application of performance standards.

This system has not only helped the Navy to retain talented personnel at China Lake and San Diego, it has tangibly improved the relationships between supervisors and employees.

An important feature of S. 1727 is the fact that it does not require a budget increase. The significant changes would be within the pay schedules. Broader ranges would replace the narrow, inflexible general schedule limitations. This would give supervisors at Federal laboratories the flexibility to pay quality scientists and technical personnel more competitive salaries.

It is widely acknowledged that reform of the civil service personnel system is necessary. The inflexibility of the current system severely curtails an agency's ability to compete with the private sector for talented employees.

The current system was designed during the 1920's, 1930's, and 1940's and reflects the industrial work force that predominated during those years.

However, as we can't help but notice, our society is constantly evolving and the composition of our work force certainly reflects those changes. We must insure that the Federal personnel system remains flexible enough to permit modifications as the need arises and there is a need for change.

If we want to continue to be proud of the achievements of Federal employees, we must be able to retain quality personnel. Without a competitive edge, the Federal Government faces a situation in which its best employees are lured to the private sector by higher pay and a more responsive personnel system.

While I am a cosponsor of S. 1727, I find much of merit in the other bills that we will be looking at today and I look forward to hearing from all the witnesses. Thank you, Mr. Chairman.

Senator **STEVENS**. Thank you. Senator Quayle.

TESTIMONY OF HON. DAN QUAYLE, U.S. SENATOR FROM THE STATE OF INDIANA

Senator QUAYLE. Thank you, Mr. Chairman.

Let me just ask unanimous consent to put my entire statement in the record and I'll be glad to summarize it for you.[1]

First of all, congratulations on having this hearing. You'll be hearing some very good recommendations from David Packard and others. He was before our Subcommittee on Defense Acquisition Policy to discuss our legislation, S. 2082, that deals with trying to improve the defense acquisition process.

What I tried to achieve by introducing this bill was to get the debate away from the Allen wrenches and the $600 toilet seats and to look at defense acquisition from a more systemic point of view. We ought to look at structural changes that need to be made in defense acquisition. Senator Bingaman is also a member of our subcommittee and recruiting and retraining personnel is a very important part of both of our efforts. That is why I wanted to come here today to share some of my thoughts.

I believe that as we try to improve the acquisition process, there are some cardinal rules of sound business management against which the civil service laws and regulations operate in opposition. The first is the ability to hire and retain the best people to manage the process. The second is to give the managers maximum discretion to manage the program and the third is to hold managers directly accountable for the success of their programs.

Mr. Chairman, what we have done under our bill is three things: First, we have created defense enterprise programs at the discretion of the Service Secretary that he can determine which programs, within the acquisition system, should be enterprise programs. If, in fact, they're determined to be an enterprise program, then the FAR and the DFARS will certainly apply, but not many of the other internal regulations and the flexibility of these program managers will be enhanced.

This was our judgment and the Packard Commission concurs. They want to see the program manager have the flexibility to run the program and then hold him accountable for the results. That is certainly consistent with modern-day management. Modern-day management is to give that individual the responsibility, but then also to hold him accountable. That is certainly what we do with our enterprise programs.

The recommendation that I am sure Mr. Packard and others will make regarding the defense czar or the acquisition czar, if you want to label him as such, will be complementary with the enterprise program approach of having more flexibility but also having more accountability in the system. That is the first approach.

The second approach goes to the subject matter before this committee and I know it has been of intensive interest to the chairman throughout his many years of service in the area of civil service employees. The issue is: How can we get an alternate and a better personnel system than what we have right now?

---

[1] See p. 165.

Everybody that I have talked to says that we need fewer people in the defense acquisition process. I wholeheartedly agree with that, but with fewer people, how are we going to make sure that the best and the brightest and the most capable stay with us? I think that is the challenge that we have. How can we retain those people? How can we offer incentives for those people to stay?

Therefore, the second part of our bill deals with a Defense Acquisition Service that limits the people in the Defense Acquisition Service to 10,000 and we have selection in process. In other words, you apply to get into this Defense Acquisition Service by making sure you have minimal educational requirements. We ask the applicants to take certain testing and to have a certain criterion before they would be eligible for this Defense Acquisition Service.

Once they got into the Defense Acquisition Service, they would experience a far different type of system. They would experience a system probably quite similar to the China Lake experiment and I believe that we need to take the China Lake experiment and expand it. We have testimony that that has been a successful venture, so we need to take that germ of an idea and expand it to see how we can make the whole defense acquisition system work more effectively.

We looked at the number of people and how far we're going to expand it and we suggest that we start out with a membership of 10,000 in the Defense Acquisition Service. Whatever the case may be, you have the Bingaman bill, you have the Quayle bill, you have other bills as well. I am also a cosponsor of the Bingaman bill, so, in my view, these two are not competing with one another. As a matter of fact, they're very complementary. Senator Bingaman takes a little bit different approach in looking just at scientists and engineers. Our approach is a little bit different because we don't just limit coverage to scientists and engineers, but also look to acquisition people. What we're really focusing on is how we can get key acquisition people to support and work with these program managers to get better execution of the system. Now, that is the challenge that is before us.

And, I would just say, Mr. Chairman, that we need to start somewhere. We need to get going and that is certainly the direction on which the membership of our subcommittee has focused. We need to get going. How far and how fast and how broad the get-going should be is up for discussion. Obviously, a major overhaul of the whole system is something over which you and others are going to have a great deal of say. We encourage you to look at the whole system. But we are in the process of starting something because we think it is very very important. Particularly if we're going to reduce the number of people.

If we're going to reduce the people as everyone says we should, we're going to have to look at how those potential RIF's are going to be taken care of. I think there is going to have to be some additional flexibility in the system than we have right now. It's one of the great controversies but one that we should not shy away from if we're really going to look at the overall goal of improving the acquisition system.

Mr. Chairman, the third part of our bill deals with revolving door. Very briefly what we do is to say that the revolving door problem will be resolved by taking Presidential appointments and having no conversation, no negotiations, or anything with defense contractors while they are employed, period. And, we will hope that the corporate world will institute a code of ethics that will parallel this approach.

On the other hand, once they decide to leave Government they would be eligible for between 3 to 5 months of severence pay to go out and to figure out where they want to be employed. We feel that this would certainly correct the perception of impropriety and conflict of interest by allowing no contact whatsoever while these appointees work in Government.

These are the three ideas of our bill. I thank you for the opportunity to present them and I think that the key provision is for the Defense Acquisition Service to provide a more professionalized and better work force, maintain and retain people that we want, and add the flexibility that will create greater efficiency. Thank you very much.

Senator **Stevens**. Senator, thank you very much. We would be pleased to work with you and the members of your subcommittee as these bills move along.

Do you have any questions, Senator Gore?

Senator **Gore**. Well, just a couple of brief ones.

I take it that you are amenable to an effort here that might combine the best features of S. 1727 and S. 2082; correct?

Senator **Quayle**. Yes. They are compatible, they are not in conflict at all. As a matter of fact, ours is a little bit broader approach as the Bingaman bill narrowly goes to just basically scientists and engineers. We go beyond that. We're looking for acquisition people, all types of acquisition people who can be useful in helping out the program manager. So the two are complementary rather than contradictory.

Senator **Gore**. Now, there has been some concern about the creation of yet another division of employees within DOD which is already fragmented. What is your response to that concern?

Senator **Quayle**. Senator, that issue has come up at our subcommittee a number of times regarding the separation and the potential morale problem.

My response to that is that if we don't have some sort of a defense acquisition corps and have a group of people that are going to be identified as the very best and provide incentives to get into that, we're not going to change the system because you will basically have the same rules covering the existing work force.

Now, if you want to change the rules for everybody, that is a very broad step and one that I would wholeheartedly support, but our focus right now is to get going on something.

I don't know what's going to happen. These are all hypothetical questions and my response to them is, if you're going to treat everybody the same, you're not going to have flexibility, you're not going to have incentives, and you're not going to improve the system.

Perhaps the system should be more like the private sector where there is the emphasis on productivity. Basically people have said that the system does need to be changed and this is one direction for change. When you make changes, there certainly are risks that are involved, but this is certainly a risk that I would be willing to incur.

Senator **Gore**. Well, I certainly look forward to working with you and the chairman and the other Senators who are working on this matter. Thank you, Mr. Chairman.

Senator **Stevens**. Thank you very much, Senator.

Senator **Quayle**. Thank you, Mr. Chairman. Thank you, Senator Gore.

Senator **Stevens**. We now have the Virginia delegation, Senator Warner, Senator Trible, and Congressman Wolf. We're pleased to have you here gentlemen.

TESTIMONY OF HON. JOHN W. WARNER, U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Warner**. Mr. Chairman, I would like to join with my Virginia colleagues, Senator Trible and Congressman Wolf, in expressing our appreciation for the opportunity to appear before you today.

The true measure of gratitude will come from the Nation's Federal work force if we're successful in our efforts to expand and improve the Federal Employees Special Pay Rate Program.

I would like to stress that the Trible-Warner-Wolf legislation, S. 1327 and H.R. 2836, has its roots in the direct requests of assistance from Federal personnel managers. These are the people dealing with hiring and retention on a daily basis and, in my judgment, they understand the problem best of all.

Furthermore, I must fully credit the personnel offices at the Department of the Air Force and the National Aeronautics and Space Administration—Government professionals who played a direct role in the formation of our proposal.

Our legislation can work to the greater good of the entire civil service and we strongly hope it will merit your favorable consideration.

Mr. Chairman, in deference to my colleagues and others waiting, I ask that the balance of my statement be inserted in the record.[1] I only forbear in view of the committee's lengthy list of witnesses this morning.

Senator **Stevens**. Thank you very much. Your full statement will be printed in the record as will all members' statements.

Senator **Warner**. Thank you, Mr. Chairman.

Senator **Stevens**. Senator Trible.

TESTIMONY OF HON. PAUL S. TRIBLE, JR., U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Trible**. Mr. Chairman, I thank you for this opportunity and I ask that my full statement be made a part of the record[2] and, with your consent, I would like to summarize some parts of that statement at this time.

Mr. Chairman, as you and Senator Gore know well, for many years the Federal Government has encountered difficulties filling critical positions. That's why the special pay rate program was established in 1962. It's goal was to enable the Government to attract and retain employees in hard to fill occupations.

---

[1] See p. 171.

[2] See p. 180.

However, Federal agencies continue to experience grave difficulties in recruiting and retaining qualified employees for hard to fill positions. These difficulties are not limited to one type of position in one geographic area. They are not limited to one department or one agency. These problems are pervasive.

Let me give you some specific examples to make the case. The Norfolk Naval Shipyard has a 17-percent vacancy rate and a nearly 14-percent turnover rate for engineers in 1985. Figures for all naval shipyards are similar. The shipyards are experiencing a 27-percent vacancy rate and a 12-percent attrition rate. Why? Higher private-sector pay and benefits.

Defense laboratories, preferred assignments for scientists and engineers are also understaffed. The Naval Surface Weapons Station, Dahlgren, VA, has experienced a 16-percent turnover rate for scientists and engineers. NASA Ames Research Center has had a 78-percent turnover rate; 50-percent turnover rate for clerical personnel. The cause: Higher pay and benefits and better working conditions in the private sector.

In New York, the VA Medical Center is faced with a serious shortage of technicians and therapists. In addition to higher pay, non-Federal hospitals in the area offer educational benefits, fully paid life and health insurance, and subsidized housing, none of which are provided by the Federal Government.

The National Cancer Institute suffers chronic understaffing of medical technicians. As a result, the institute has been forced to turn away patients and millions of dollars worth of equipment often sits idle.

We could go on, and on, and on, but I surely will not do so this morning. The committee knows well the very real and substantial problems that exist throughout Government.

But, these examples are indicative of the staffing problems of hard to fill positions Governmentwide, 27 different Federal agencies now have special pay rates, but without reforms in the special rate program, personnel shortages will continue and agency missions will be compromised.

No agency, no mission is immune from these hiring problems. We're losing qualified and experienced personnel to better paying private sector jobs with better benefits. We are unable to bring in new recruits to fill chronic vacancies. Agencies are increasingly concerned about the quality of job applicants. The Federal Government is becoming the employer of last resort for those who are unable to secure employment in the private sector.

Mr. Chairman, I am pleased that a number of my colleagues, including Senators Quayle and Bingaman, recognize the need to insure that we have qualified personnel. But, I believe the efforts to correct the recruitment problem and retention problems must be Governmentwide in scope.

So, I would hope that this committee would focus, not only on those areas of special concern, but also on the pervasive problems that exist throughout Government. I am concerned that if we single out certain positions in certain departments that we will merely shift the Government's personnel problems to other positions in other departments, and that the larger problems will remain.

That's why I have introduced this legislation now before us. I am pleased that Senator Warner has joined this effort, and that our good friend and colleague, Frank Wolf, is leading the charge in the House of Representatives.

Let me, very briefly, summarize the pertinent parts of that legislation. Senate bill 1327 addresses this recruitment and retention problem throughout the Federal work force. The shortfalls of the current special rate program are eliminated and agencies and the Office of Personnel Management are granted greater means of dealing with pressing staffing problems effectively and in a timely manner.

The Office of Personnel Management will be required to establish a set of criteria agencies must meet in order to qualify for special pay rate authority. Unlike current law, other important factors, in addition to private sector pay, can be considered. These could include: Pay rates offered by State and local governments; health and retirement benefits; working conditions; geographic location.

Agencies meeting these minimum requirements will automatically receive special pay rate authority unless OPM rejects that request with written explanation within 45 days. Agencies will then have the opportunity to resubmit a special rate proposal to OPM for reconsideration. This will enable agencies to respond much faster to pressing staffing problems.

Current limits on starting salaries for these hard-to-fill positions will be eliminated, and within-grade pay increases will be linked to an individuals performance in a manner similar to the new performance management and recognition system.

The legislation also establishes a bonus program to allow agencies to offer cash payments to employers. Bonuses will be tied to service agreements wherein employees agree to remain in service with an agency for a specified period of time. However, if the employee voluntarily leaves the agency before completing the specified employment period, he must repay the Government any amounts paid to him.

There are a number of other features as well gleaned from other programs in the public and private sector that I believe will enhance this program and make it work more effectively.

Let me simply say, in conclusion, the reasoning behind this legislation is straightforward. The only way to get technically competent people and to keep them on the job is to compensate them adequately. The Federal Government engages in a host of activities requiring personnel in great demand. Unless we're able to compete effectively for these men and women, in all areas of Federal service, the Government activities will suffer. We cannot allow the Government to compound those problems by enacting legislation that would result in the Government competing with itself for personnel.

That's why I would suggest a more comprehensive Government-wide solution to this recruitment and retention problem be entertained.

I appreciate your leadership, the leadership of this committee and Mr. Chairman, I look forward to working with you and Senator Gore and your colleagues in fashioning a bill that will be broad-based and balanced and hopefully solve this problem that is pervasive.

Senator STEVENS. Thank you very much, Senator.

Frank, we're pleased to have you here. You have been a leader in the House and we're pleased to have the opportunity to work with you again and we'll be glad to hear your statement.

TESTIMONY OF HON. FRANK R. WOLF, A CONGRESSMAN FROM THE STATE OF VIRGINIA [1]

Representative WOLF. Thank you, Senator, it's a pleasure to be here with you and with Senator Gore who has changed addresses in the last 2 years.

I'll be very brief. Since they covered the major points, let me just give you one of the examples why this legislation is necessary. We'll take the FAA police at both National and Dulles Airports.

Since 1975, the FAA has been presenting, almost on a daily basis, the special pay rate request to the Office of Personnel Management in hope of resolving its law enforcement staffing problems.

Currently, people come on at the FAA police. The FAA trains them and then they join the Fairfax County Police, or the Arlington County Police, or the Montgomery County Police, or sometimes even the Park Service Police because they pay higher salaries. FAA pays to hire them and train them and then they leave.

With each request that the FAA made, different reasons were given by OPM why relief could not be provided. There was no turnover to the private sector—how could a policeman go to the private sector? There are no policemen in the private sector. So the current laws won't allow OPM to evaluate a change to Montgomery County Police. It has to be a loss to the private sector.

This continued year after year. What relief was provided was usually minimal and diminished over a couple of years. This went on for a period of 10 years. It was not until the FAA, at National and Dulles, showed a 51-percent turnover in law enforcement officers, a 4-month lag in hiring replacements, an average of 27 percent of its positions were vacant.

And then, I think, what finally got the FAA police the pay raise just the other day was a growing concern over the possibility of a terrorist attack at these two airports.

Although I am pleased with the relief recently directed by OPM and Secretary Dole for increased compensation, I am deeply concerned that the situation had to regress to those alarming statistics and threats against our country had to be made before these police officers were compensated according to what they deserved.

The bill that Senators Warner and Trible have introduced will, I think, provide a useful mechanism for the FAA or any Federal agency for recruiting and retention, whether it be for highly technical people, police, nurses, scientists, engineers, technicians, or other occupations, to deal directly with this problem.

---

[1] See p. 180 for Congressman Wolf's prepared statement.

So, I want to thank you and Senator Gore for holding this hearing and ask permission to submit my entire statement for the record.

Senator STEVENS. Your full statements will be printed in the record, gentlemen. And we invite you to have staff members attend our hearings or we'll provide you with copies of the statements as they come in and we look forward to conferring with you after our 3 days of hearings are over.

Senator WARNER. Mr. Chairman and Senator Gore, I want to take note of the presence here of Mr. Packard. I had the privilege of serving with him in the Department of Defense throughout his distinguished career as Deputy Secretary of Defense.

Now, I can think of no other American who better understands the needs, in terms of our national security, and also understands the competitive force structure in the private sector than Mr. Packard.

I do hope that the committee takes into serious consideration the views that he will volunteer today.

Senator STEVENS. Thank you very much, Senator. We look forward to hearing from Mr. Packard later this morning.

Senator WARNER. And we conclude by saying that our proposed legislation again reflects the best judgment of the Federal managers and, were it possible, we would substitute their name for ours in the bill. Thank you very much.

Senator STEVENS. Do you have any questions, Senator Gore?

Senator GORE. I'll withhold questions in the interest of time, Mr. Chairman.

Representative WOLF. Senator, may I say one other thing? This bill is important, but I think there is another issue that is even more important which the Senate is about to consider and that is the tax bill which addresses the 3-year basis recovery rule affecting the taxation of public pensions. If this provision stays in the Senate bill, we will lose all the good people that this bill before you today will attract. I think it's important that you pass this bill, but I would also hope that when given an opportunity, the Senate would wipe out the provision included in the House bill. I think we will retain many Federal employees that will otherwise leave if the 3-year basis recovery—grace period—is eliminated.

Senator STEVENS. Thank you, Congressman. If there is anyway at all to change that House provision, we certainly will do it. The committee has already announced its opposition to that provision. I appreciate your comments.

Senator Bingaman.

TESTIMONY OF HON. JEFF BINGAMAN, U.S. SENATOR FROM THE STATE OF NEW MEXICO [1]

Senator BINGAMAN. Thank you very much, Mr. Chairman for allowing me to testify before this subcommittee and I appreciate Senator Gore's presence and leadership on this issue.

---

[1] See p. 192 for Senator Bingaman's prepared statement.

Last October 2, I introduced the Federal Science and Technology Revitalization Act, S. 1727, with Senator Gore as a cosponsor; Senators Goldwater, Nunn, Quayle, Wilson, Chiles, and Rockefeller are also original cosponsors. Congressman Fuqua introduced an almost identical bill, which is H.R. 3480 on that same day in the House of Representatives.

It is a pleasure for me to return to this subcommittee where I served for a couple of years. Really the idea for this legislation was, in part, a result of hearings that you had, Mr. Chairman, on the whole issue of excellence on Government management during the 98th Congress.

I want to concentrate today on how this bill would affect the Pentagon because I believe that this subcommittee may determine it's appropriate to consider the possibility of applying S. 1727 first to the Pentagon. Because of the Navy's China Lake demonstration project, the Pentagon has the most experience in working with an alternative personnel management system such as that proposed in S. 1727.

This bill is intended to respond to an urgent problem faced by Federal agencies. That is their inability to compete with the private sector in recruiting and retaining first rate civilian scientists and engineers.

The bill would authorize more flexible personnel management systems for scientific and technical personnel in the Federal Government, systems similar to the one which has been in place at the China Lake Naval Weapons Center since 1980.

Over the past 10 years, as this committee knows, there have been numerous studies about the problems that Federal agencies have had in recruiting and retaining top people in this field.

The particular report that was really the impetus for this legislation was the White House Science Council's Federal Laboratory Review Panel report that was issued in May 1983. Mr. Packard headed that effort as well as the present Commission that is going forward on defense acquisition and defense management.

But that particular report, in 1983, concluded and this is a quote:

> That almost all of the Federal laboratories suffer serious disadvantages in their inability to attract, retain and motivate scientific and technical personnel required to fulfill their missions.

They went on to find that the principal disadvantage is the inability of the labs, particularly those under the civil service system, to provide competitive compensation.

Mr. Chairman, I believe that a key difference within the bureaucracy, within the Federal Government on the various pieces of legislation pending before this committee today is whether the authority for an alternative personnel management system should be limited just to scientists and engineers and perhaps key acquisition personnel or whether agencies should be given authority to expand to other occupational categories in the future.

We essentially have two groups with different agendas. One group for whom Mr. Packard is the main spokesman, wants to address the urgent problem which they see in the quality of the science, engineering, and acquisition work force.

The other group, I believe, would like to do a more comprehensive restructuring of our entire civil service system and use this impetus and momentum as the occasion for doing so. I am personally not opposed to giving the Defense Department or all Federal agencies authority to bring additional occupational groups under the alternative personnel management system. But I am afraid that to the extent you tackle the entire civil service reform issue, indeed, the entire bureaucracy, the possibility for some prompt congressional action may fade and I believe that that kind of prompt action is what is needed. Senator Quayle made the same point and I agree with him totally.

Clearly this is a matter that will require close coordination between this subcommittee and the Defense Acquisition Policy Subcommittee of the Senate Armed Services Committee that Senator Quayle heads.

We're going to need the Packard Commission's input on which nontechnical acquisition personnel to bring in under this alternative personnel management system.

Mr. Chairman, I could go into great detail about the specific provisions of the bill. Let me just generally say that it is designed to allow Federal agencies to manage their scientifc and technical personnel more in the way that the Department of Energy allows its contractors to operate the Government-owned and contractor-operated laboratories. The bill builds on the experience that we have had at China Lake and at the Naval Ocean Systems Center in San Diego.

Let me just point to two or three key distinctions that this committee and the subcommittee in the Armed Services Committee are going to have to come to grips with.

First, is this kind of reform going to be applied to the entire Federal Government or do we begin with just the Defense Department? That is the issue that Senator Trible raised. Do we try to hold off action until we can get a comprehensive solution or do we go forward with what we can accomplish at this time?

I believe, of course, that we need to go forward dealing with the most urgent problem at this time, and I believe that is something that is obtainable.

Second, we need to determine whether we go forward with reform as to specific occupational groups or whether we try to apply it to entire agencies or subdivisions of agencies. Again, I believe we need to address the most urgent problem and that, to my mind, is specific occupational groups of the scientists and engineers and key acquisition personnel, to name some of those.

And, if we are going to apply it to specific occupational groups, of course, there is genuine disagreement about which occupational groups it should be applied to and I think that is something that this committee can deal with in its markup.

Let me just conclude, Mr. Chairman, by saying that I think we have a real opportunity here to make a constructive contribution to the defense acquisition process which, of course, was the focus of the Packard Commission's latest recommendations. We also have a significant opportunity to make a contribution to the Federal civil service reform, in general, after we have an established track record in this area.

Again, I thank you for the opportunity to describe this Federal Science and Technology Revitalization Act. I know from my previous work on this subcommittee how committed you are, Mr. Chairman, to restoring excellence to Federal management and I hope that this subcommittee will have success in its efforts.

Thank you, Nr. Chairman.

Senator STEVENS. Thank you very much, Senator. We look forward to working with you also. I have studied your bill and it's a very far-reaching bill.

Do you have any questions, Senator Gore?

Senator GORE. Just a couple of brief ones, Mr. Chairman. This bill is identical to the one introduced on the House side by Chairman Don Fuqua, is that correct?

Senator BINGAMAN. That's correct. I think there is one minor difference, but for all significant portions, it's identical.

Senator GORE. Now, there were some earlier criticisms of S. 1727 referring to the creation of a super cadre of Federal employees. Do you feel that's an accurate assessment or do you feel it's an unfair criticism?

Senator BINGAMAN. Well, I think what we're trying to do here is to say, let's look at the private sector demand for particular occupations and in the area of science and engineering, there is a tremendous private sector demand today. If the Federal Government is going to attract and retain competent people in these occupations, we must have flexibility. We must be able to pay more than we can.

I believe we are providing a better pay scale for these people, for those that excel. As you pointed out, it is overall that this can be accomplished without an increase in budget because we're directing that OMB can determine the total amount that an agency can spend on personnel under this system.

But I think that we're also putting some significant risks to these people. I mean, it's clear that this is a performance-based pay system. They are not entitled to an increase on an annual basis. They're not entitled to move up through the system once they're under this alternative system, just because of seniority. It's very clearly designed to give the manager the ability to pick out those that he or she believes deserve particular recognition and give them that recognition, give them that additional pay.

We have allowed 5 percent—up to 5 percent of the people covered by this bill to be paid at a rate higher than the top rate in civil service up to a level the cap of which would be what is allowed to be paid to the directors of contractor-operated laboratories owned by the Federal Government.

Senator GORE. Very good. I think your bill is excellent. I will do my best to get its provisions in the final version that we report out, hopefully, and I congratulate you for your leadership on this issue.

Senator STEVENS. Thank you Senator.

Senator BINGAMAN. Thank you very much, Mr. Chairman.

Senator STEVENS. I see that Congressman Fuqua has arrived. We're happy to have you here this morning.

TESTIMONY OF HON. DON FUQUA, A CONGRESSMAN FROM THE STATE OF FLORIDA

Representative **Fuqua**. Thank you, Mr. Chairman and Senator Gore. We're very pleased to have this opportunity to address your subcommittee on a topic which I think is very important.

As you know, I am the sponsor of the House version of the Science and Technology Revitalization Act which is H.R. 3480. I sponsored this legislation because I am convinced that we have a problem of major proportions due to the inability of our Federal laboratories to attract and retain high-quality personnel in science and technology fields.

I know you're also hearing from Mr. David Packard who is here on this topic and we should all be very grateful to Mr. Packard for the good work he has done in recent years, at the President's request, drawing on his highly successful experience both in Government and industry. Not the least of these tasks was to serve as Chairman of the Federal Laboratory Review Panel for the White House Science Council. His findings in that capacity are consistent with my experience as chairman of the Science and Technology Committee and have convinced me that there is a critical need to provide some alternatives to the system we are using today to manage the Government's scientific and technical personnel.

As we all know, Government scientists and engineers are now employed under the General Schedule which is used for the majority of the Federal Government's white-collar workers. I know that there are some other problems with that schedule, but the one which we're considering today is, to my way of thinking, the most pressing. It's also the most logical one to do something about right now. In too many cases, it is not possible under the General Schedule to hire and keep scientists and engineers with good, strong credentials. At our recent authorization hearings for the National Bureau of Standards, one of the Government's most prestigious labs, it became very clear that they have a tremendous problem.

The NBS' starting offers for new scientists run on the average about $10,000 behind the offers made by industry. Midcareer salaries tend to be more competitive, but top-level Government salaries also lag behind the private sector. Some parts of the Bureau, like the Institute for Computer Science and Technology, can only pay their people half as much as industry does.

This is not a good way to approach getting the quality people you need to establish technical standards for the whole country. Neither is it a good way to attract top quality scientists to NASA which will soon need an infusion of new talent, nor to the Department of Defense, which is about to undertake what is possibly the most ambitious and demanding high-technology project ever in the strategic defense initiative. And it is certainly not a good way to get the quality of scientists we need to improve public health, welfare, and security.

I am sure your witness from the Department of Defense will review for you the highly successful experiment the Navy undertook, and still is doing at China Lake and San Diego. While the ability to pay higher entry salaries was a big factor in that success, another factor was also very important and that was the very much simpler management structure the; used which gave a lot more flexibility to supervisors while, at the same time, it reduced the administrative burden imposed by the personnel system. That concept is also important in the legislation you're considering.

A lab which can pay its top performers more, will keep more of them, and a lab where supervisors can spend more of their time on their mission, will get more done.

That is important because the Federal laboratories get about a third of our R&D budget. The good work they do has been very important to us in the past. They have contributed both to our national prestige and our competitive position internationally. But there may not be as much good work coming from those Federal labs in the future, if they can't get the good people they need.

There is a particular problem at the top because most executive branch salaries currently are capped at a percentage of congressional salaries and they have not kept pace with inflation, let alone the premiums the private sector is now paying for top talent.

Perhaps we can live with this problem in the administration of the bureaucracy, but when it comes to superstars in science and technology, we are almost saying, "We really don't want to get any of the brightest and best."

This bill would give some relief by lifting the pay cap for up to 5 percent of the workers. And, it creates a new Senior Science and Technology Service for those top end employees recognizing that an equivalent of the Senior Executive Service is needed among technical personnel.

Another place the GS approach hurts our labs is that it makes it very difficult to recruit workers in midcareer. The retirement system, while it is reasonably generous, assumes that every Government worker spends an entire career in the civil service.

Ideally, researchers from industry and faculty members at research universities would consider our labs as an alternative assignment. Free exchange of scientists and engineers among Government, industry, and academia would benefit everyone, but it becomes very difficult when faced with the rigid Government retirement system.

A Government worker can't afford to leave the civil service, and an outsider doesn't get credit in a private pension fund for Government work. The bill you're considering solves this problem by letting Government scientists and engineers choose the system which many universities use, which is one of the most portable pension systems available.

I'm sure you'll hear a lot more good reasons today why we need this legislation, but I would just like to leave this thought.

The lifestyle of the people of the United States today is intimately connected with science and technology. While there are certainly some problems that arise from this, I am sure that we would all agree that the American people are better off because of it.

Our national prestige, the standard of living of our people, our national security, and the effectiveness of many, many Government programs rest on science and technology.

If the Government is to play an effective role in this area, it must have effective people. That is why I am working to get this legislation passed in the House and why I hope you will report it to the Senate.

I would be happy to answer any questions you might have at this time.

Senator STEVENS. Thank you for taking the time to come over and we know of your involvement in the House and look forward to working with you also on this matter.

Representative FUQUA. Thank you, Senator.

Senator STEVENS. Have any questions, Senator Gore?

Senatore GORE. Mr. Chairman, it's been my pleasure to work with Chairman Fuqua on the House side on a whole range of issues. It's a great pleasure to be working together again on this particular piece of legislation and I hope we can get it passed in both bodies.

Representative FUQUA. Thank you very much, Senator.

Senator STEVENS. I would turn to David Packard, the chairman of the board of Hewlett-Packard Co. and the chairman of the President's commission.

TESTIMONY OF DAVID PACKARD, CHAIRMAN OF THE BOARD, HEWLETT-PACKARD CO., PALO ALTO, CA

Mr. PACKARD. Mr. Chairman, with your permission, I'll ask Jim Ling to join us. He was on the staff of our White House Science Council Study on the Federal Laboratories.

Senator STEVENS. Glad to have you here, too.

Mr. PACKARD. I have prepared a statement for the record. I am not going to read it this morning. I will ask you to provide a copy of the complete statement for the record[1] and I would just like to begin to make a comment about a few important points.

I became interested in this subject as a result of the White House Science Council Panel that was established 3 years ago.

If you look at the Federal laboratories—the Science Council, at that time, was looking at the broad aspects of what could be done to strengthen the quality of science in all areas of the United States and it was clear that because a large amount of money was being spent on the Federal laboratories, it was appropriate to examine whether that money was being effectively used and we undertook to examine the Federal laboratory system rather completely. Obviously, we couldn't visit all 700 laboratories, but we did visit a large number of the major laboratories and in the course of this work, it came out very clearly that those Federal laboratories which are federally operated as well as federally owned were having some serious difficulties in attracting scientists and engineers of the quality that would enable them to have a program compatible with industrial laboratories and, in fact, compatible with those laboratories which were being managed by private contractors.

In the course of this study, we visited China Lake and learned that the experimental program out there in personnel management had been in place for several years and it had been working very well and we were very highly impressed with this as a means to deal with a very important program that was affecting the quality of science.

---

[1] See p. 211.

As a result of that, we recommended that legislation be enacted to provide this type of personnel management for all of the federally operated laboratories. I think you already have had a good description of this. Both the Senate bill that was introduced by Senator Bingaman and supported by Senator Gore and the House bill of Chairman Fuqua embody the basic principles that were in that experiment and we think that provides a very sound basis. In the first place, it's a system that works. You could probably devise some other systems that would also work, but here we have an example of something that is in place and has been proven and it seems to me it's the logical thing to use that as a basis for dealing with this problem.

Now, at that time, I had not given any particular attention to the question of defense management and, as you know, I was asked to chair a commission in June of last year to make some recommendations to the White House and to the Congress on the question of how to improve the management of our defense establishment and, in the course of that, we have actually been working quite hard for the last 10 months. We've made some interim recommendations. We have, in fact, presented two reports already.

I think it is important to point out that in any management situation, no matter what the structure of the organization or the arrangement otherwise, in the final analysis, the performance of the organizations is very highly dependent upon the quality of the people involved and so we found, as a result of the work of the commission, that there was a need to improve the quality of people involved in the acquisition process.

There were, of course, a good many capable people involved in acquisition, particularly military officers, a good many civilians, but nowhere near enough.

So, as a result of the work of the commission, I'm here to recommend that you consider applying this program, not only to the Federal laboratories, but to a broader basis to acquisition personnel that are so critical in improving the performance of the Defense Department.

Now, just to give you an idea of what kind of people are in those areas, they're basically professional people, many scientists and engineers are included in this group. People involved in research and development, program management, business management, contract administration, people who have knowledge about product and quality assurance. So this involves a group of professional people that are very critical in enabling us to move ahead in improving the quality of our defense management program.

We think it is desirable to do something as quickly as possible. I have not personally looked into the other aspects of the need for this kind of a management system in other areas of the Government. I would certainly have no objection to having the system expanded, but that's an issue that I haven't personally addressed nor have we addressed it in either of the commissions that I was involved in and I am sure, from what I have seen, in looking in from the outside, that there are other areas which would benefit.

I think it is extremely important to take a step in this matter because it's several years now since we completed our study on China Lake. We hoped that this legislation could have been put in place now and we could get a start on making the kind of improvement that this personnel system would provide and, needless to say, I'm very anxious, in terms of the work of the Defense Commission, to see that we get something done as a result of this work and not just file a report and have it forgotten about. So I'm here to urge you to take some action.

It seems to me that we have two cases here that are clearly demonstrated areas of need, where this particular program could provide a substantial measure of improvement and that I would hope that Congress could move ahead with legislation in these areas and then expand it as might be appropriate in the other areas on the longer term.

There are a couple of issues I wanted to comment about. There's some concern about whether this system, because it does provide higher pay levels to the professional people, whether this would increase the total budget of the activities involved.

In discussing the issue with a number of laboratory managers, we got the consistent response from them that they would prefer to have a smaller number of better qualified people within the same budget than have the system that was in place.

We think that if cost controls are important and, of course, they are in many instances, that this can be handled by a budgetary process.

As far as the defense acquisition management problem in defense is concerned, I think everyone that has looked at that has a feeling that we have too many people there. Our commission has not yet come to the point of making specific recommendations on where those people could be eliminated, but it's clearly desirable, if you're going to reduce the number of people to improve the quality of those that remain.

So, we think that this legislation—we're not supporting any particular bill—we think the bill that it's based on, the China Lake experiment, is a logical way to go. There's obviously some opportunity for modification one way or the other, and I would encourage very strongly this committee to take positive action and help get something done on this very important issue.

Senator **Stevens**. Thank you very much, Mr. Packard.

I have been worried about the impact of the budget considerations on civilian employment. I am sure that you realize that at a time when we've had annual requests for increases in military pay and have had freezes on civilian pay, plus a recommendation to reduce civilian pay, that it's extremely difficult to manage the civilian sector and I'm sure that that's even worse in the area of the scientists and engineers.

Have you and your commission looked at the cost factors of the area that you have been primarily concerned with, the scientists and the engineers in terms of this proposal for extending the China Lake experiment?

Mr. **Packard**. Well, you have some actual experience from China Lake and the increases in personnel costs there that were something like 6½ percent over a 4½-year period. That was a little bit more than they averaged otherwise.

But, as I have already indicated, that situation can and should be dealt with by the budgetary process and there's no reason why this system—in fact this system will work just as effectively. By controlling the total budget, it might require a little time to get the numbers down because it will probably have to be done by attrition and we have not looked at the total cost in the areas that we're recommending as far as acquisition management and defense, except to the general outline that I have indicated to you already that it is the consensus, I think, among almost everyone who has looked at this problem that we should reduce the total number of people and there again, that can be done by the budgetary process or we may have some more specific recommendations otherwise.

So, my support, my encouragement is to you to move ahead on this legislation, but I think I would have the assurance that it could be done without any budgetary increases.

Senator STEVENS. Well, we would be happy to have your further recommendations, my friend. I did support the China Lake experiment, but it is my understanding, even within the China Lake experiment, that there has been a fairly great rate of turnover for clerical- and administrative-type people, and that we're experiencing that throughout both the Department of Defense and the other civilian agencies now. I understand the need for attracting these engineering and scientific people, but we have, for instance, a turnover of civilian guards that is roughly 20 percent now, the turnover in clerical personnel is about 30 percent and vacancies at the rate of 30 to 35 percent caused, perhaps, by the fact that there is no hope for any pay adjustment.

We were looking at the whole concept of performance budgeting for awhile in the hopes that maybe we could go, not just to the scientific and engineering and professional people, but to the overall complement of any installation and ask the managers to get the job done within a specific budget level.

Did you examine that concept of what we call performance budgeting?

Mr. PACKARD. Well, I think there's no question about the performance measure being extremely important. I think you've got to be very careful in using the statistics on turnover to evaluate the situation because, just for example, you know, our company is located out in Santa Clara Valley and over the past few years, with the excess of venture capital that has been available, there has been a tremendous turnover of bright young people moving from one company to another which is quite independent of whether the pay level is appropriate at a particular place or not; and things like that, I think, tend to distort the statistics on turnover.

I think the fact is that these laboratories have not been able to attract, keep, and motivate the people to the extent they should; and particularly the laboratories, there's a very large Federal expenditure there and, if the Federal Government is going to expend money in research work, it ought to be done on the basis of the best quality possible and I think we all recognize that there's a great need and great desire to improve the quality of our defense management and, as I said already, that again gets back to a means to attract and keep people and also a means to motivate them because this China Lake system provided opportunities to give people rewards for performance, that their advancement is not dependent upon survival only, as tends to be the case in the broader system, and increasing the pay cap itself is a very important thing. It's not a large number of people, but particularly in the scientific field where you're doing research on the forefront of technology, having a Nobel Prize winner or two around can have a very salutary effect on the performance of a research team and so we think there is a legitimate need to have a small number of places available that you're going to attract some really outstanding people and that applies, I think, equally well in the defense acquisition area.

Senator STEVENS. Well, we look forward to trying to work this out. I've got to tell you that it seems to me that the proof is there in terms of the military side; as we have increased pay, we have attracted better people. We have had testimony in the Defense Subcommittee, concerning this matter. The increase in the caliber and the education and the competence of the military, the declining rates of AWOL, declining rates of violations of military regulations and the decline in terms of violations of civilian law, off base, has just been staggering. I mean, it's the new military. And also, the reenlistment rate is up so much we can dispense now with some of the reenlistment bonuses.

In the same entities though, the civilian turnover rate is alarming. We looked at that in terms of one Alaska base, for instance, the firefighter turnover rate was 109 percent; procurement clerks, 80 percent; budget analysts, 67 percent; nurses, 60 percent; clerk typists, 76 percent. I think it's because of the overall pay schedules.

I can understand where we might have some incentives for the superb scientist, superb professionals, Nobel Prize winners, for example. Those kinds of exceptions are obvious, but I think until we get a different attitude about the civilian sector of the Federal Government, in general, that we can have exceptions to the rule like China Lake and it really won't make any overall difference.

Let me just close with this. We understand that even where agencies have had delays in filling jobs for things like voucher preparers, preparers of travel vouchers, vacancies exist for almost up to half a year. It doesn't do much good to have the incentives to get the engineers if you can't get the person to come in and do the clerical work to support them.

I would hope that we can concentrate on an overall bill to improve the system rather than something that, once again, gives special incentives to engineers and scientists and professional people.

Mr. PACKARD. If I might make a comment on that.

We have looked at the overall situation and there are a great many people who do purchasing out at the local areas around the country that are doing important work and that problem can be improved by some simple changes in their classification within the civil service system. So there are some improvements that we are recommending that could be made administratively without additional legislation.

I think we would agree that we ought to try and look at the whole issue, but in recommending that we concentrate on this area first, we think this is where the largest impact can be made and is the most important area to start with.

Senator STEVENS. Thank you very much. Senator Gore.

Senator GORE. Mr. Packard, I have enjoyed working with you on this issue and I appreciate the statement that you have made here today. Let me get clear in my own mind exactly what you're saying about S. 1717 and S. 2082.

As I understand it, you strongly support S. 1727. You identified this particular set of problems in your work on the first commission.

Mr. PACKARD. Yes, that's correct.

Senator GORE. Working with several of us, particularly Senator Bingaman, you helped to bring forward this set of solutions and you strongly support it.

Now, second, after that work was well under way, you put on another hat and accepted another assignment from the President and looked at broader problems within the Defense Department. As a result of the experience and knowledge you gained from that task, you also support the broader provisions of S. 2082. Is that a fair summary of your position on this legislation?

Mr. PACKARD. Yes, that's correct and you're quite right as I have tried to indicate. I became interested in this subject as a result of my involvement in the laboratory studies and this looked like a very logical solution for an important problem, but it was not a very large problem in terms of all the aspects of the Government.

As we got into the examination of the defense management issues, it was clear that something needed to be done to improve the quality of the civilian people in those areas, particularly in the acquisition area and this looked like the simplest way and a logical way to do it and there are, as I have said, other ways. I think there may be some modifications that could be worked out between the other two bills.

I think Senator Quayle's bill is directed at essentially the same thing and, I think we have a specific case with some experience here and it's worked well and it seems logical to me that we start where we have had some experience and then apply that, modify it maybe, as you have some further experience.

Senator GORE. S. 1727 is where you started and you think that's a rifle shot to solve a critical problem that can be solved right away with this legislation?

Mr. PACKARD. That's the very least that should be done as soon as possible, if you want my view.

Senator GORE. But you're also supportive of an effort to combine S. 1727 with some of the provisions of S. 2082 to come out with a merged bill that has a broader scope?

Mr. PACKARD. Particularly, it would be entirely appropriate to expand the coverage along the lines those other bills have been considered. I gave you just a very brief outline of the kinds of professional people that would be involved. We could provide some more background for you on that, if you would like to have it.

Senator GORE. Now, do you think, either S. 1727 or S. 1031 go far enough in increasing the pay of hard to hire Federal employees?

Mr. PACKARD. Well, I think it does. That, of course, is a difficult question to answer. You've got to make some compromises on pay.

You can't raise the pay high enough to attract everybody. It's a waste of money.

The fact is that many, if not most, of the Federal laboratories have a certain prestige aspect to them and I think the experience is that you don't have to match commercial salaries dollar for dollar in order to attract the kind of people you want and I think that's true of the Defense Department too. I think the kind of increases we're talking about here would provide a significant improvement in the quality of people that you're able to attract and it's not only a question of attracting them, it's a question of motivating them, giving them rewards for performance rather than, as I have said, survival.

I think this is a good place to start. There isn't any absolute on this. You could go up and down a little one way or the other, but here we have something that worked well. We've had some experience with it and it seems to me the thing to do is expand that as quickly as we can and then, as we find need to do some other things—I don't have any trouble in a much broader approach to this, but I am sure that that involves a good many issues that have not yet been investigated or looked at and——

Senator GORE. And it may not be feasible to change.

Mr. PACKARD. That's right and it's going to take time to do that, if nothing else.

Senator GORE. I understand. Well now, going along with the last statements you made about the other compensation, the prestige and so forth. Some have said that the success at China Lake has come about not so much because of the alternative pay system, but precisely because of these other factors. There is a certain feeling that the work is really special and contributes in a unique way to the country. To what extent do you think that's the case and to what extent do you think we would have trouble replicating that in other institutions?

Mr. PACKARD. Well, obviously those other factors vary from place to place. We're making some recommendations that will, we hope, substantially improve the performance of program managers and give them smaller, more professional teams of people to work with. It's really right along the general idea that Senator Quayle had in his enterprise groups.

It's very important to have compensation mechanisms with which you can recognize personal performance and I think you know that some of the more recent theories of management, those that have been talked about by Peters and others who have written books, that some of these other factors are extremely important. Create loyalty to an organization and you get enthusiasm for trying to do something and if you can get a team fired up to do a quality job, it can make all the difference in the world about the performance.

And, if they know they're not going to get any more pay on the basis of their performance, it's very hard to get that kind of a spirit in an organization. So, I think that there will be some very important benefits outside of the actual levels of pay involved in a system like this.

Senator **Gore**. Well, I certainly appreciate the work that you have done in this area and I look forward to continuing to work with you to implement these ideas.

I have only one other question and it's about a somewhat separate, but related issue. If you're not familiar with it, I will just ask the chairman to keep the record open and you can respond in writing.

It has to do with a bill numbered S. 2197 which is the Federal Employees Optional Early Retirement Act. Are you familiar with this?

Mr. **Packard**. No; I am not.

Senator **Gore**. It has to do with an early-out provision and I want to ask a question for the record about the concerns that some have that this kind of proposal would encourage retirement among the very employees that we're trying to keep. If you have thoughts on the effect of such an early-out provision, I would appreciate your comments on it.

Mr. **Packard**. I would be pleased to go back and look at that and give you some comments in writing.

Senator **Gore**. Very good. Thank you very much.

Senator **Stevens**. Senator Levin.

Senator **Levin**. Thank you, Mr. Chairman. Mr. Packard, let me again add my thanks for your devotion to public service which consumes so much of your time. Again, we meet I think this is the third time, probably in a month, that we have been together and I know that you've been at dozens of other occasions where I haven't been so I really want to commend you.

Mr. **Packard**. I just hope something useful will come of this. I am not entirely sure.

Senator **Levin**. I just have a few questions to ask of you and it relates to the area that Senator Stevens was inquiring about or at least one of the areas that he was inquiring about.

We heard testimony at the Acquisition Subcommittee that Senator Quayle chairs from Ray Kline, who is the president of the National Academy of Public Administration and I am going to read just one of their conclusions and then ask you to comment on it if you would.

On behalf of the National Academy of Public Administration, he said that:

> * * * We're persuaded that a key lesson learned at China Lake and at the Naval Ocean Systems Command is that the installation of alternative personnel systems is most effective * * * when the General Schedule employees of the organization are all included in a single, cohesive system. To segregate skill areas, such as scientists and engineers, or acquisition officers, or any other group, invites enormous problems of personnel management for the people who run these organizations as varying standards and processes are applied for hiring, pay, training and development and retention.

And then this key finding:

> It is the generally held view by Academy members who have worked on this problem that alternative personnel systems should be applied organization by organization rather, than skill by skill, and should be authorized as soon as possible in those organizations demonstrating readiness to take on the task.

I am wondering whether you disagree with that conclusion.

Mr. PACKARD. Well, we've given that issue a little consideration and I can begin by saying that I think most of the professional personnel people will tend to come to that conclusion because having two systems in a particular installation does, in fact, require more work of the personnel people and so probably some of the personnel people are finding it a little more difficult to deal with 2 systems. I don't think that's a valid reason for extending it. I think the issue of whether you should extend it or not should be determined by whether you're able to attract and motivate and get the kind of people at these other levels that are competitive and there are some practical matters that depends a little bit on the philosophy of the organization.

I think you know that some organizations have significant different personnel benefits and policies for different groups of employees, so it's not unusual to have different groups handled in a different way.

So, I don't see any compelling reason to bring everybody into the system. On the other hand, I don't see any compelling reason not to. I think it's an issue that could be handled either way.

Senator LEVIN. My understanding is that at China Lake, in addition to scientists and engineers, the other professional white-collar personnel have been phased in also. Is that your understanding as well?

Mr. PACKARD. Yes, I think, as I recall they had been phased in afterward.

We did look at that and we knew, I guess, as a result of a study, that they had been all included, but we didn't see any compelling reason for that to have been done and so we did not make that recommendation as a result of our White House Council Study report.

Senator LEVIN. Did you learn from the China Lake people why they decided to phase in those other professional, white-collar personnel?

Mr. PACKARD. I don't recall, in discussions there, I suppose there's a natural tendency of one group finding out that somebody is getting a little better system, the rest of them are going to want to get on board, so that's a perfectly logical thing to come about.

Senator LEVIN. That's all the questions I have. Thank you, Mr. Packard.

Senator STEVENS. Thank you very much.

Our next witnesses, we have indicated to be a panel, but that is not compulsory. I don't know if you all want to testify together at the same time or not. We have Carl Grant, the Director of Personnel Programs at NASA; Edward Nicholas, Director of Personnel at NIH; J.M. Schulman, Director of Personnel at the Department of Energy, and Frank Cipolla, Director of Personnel Management at Defense. You're first on the list, Mr. Grant, you can start.

TESTIMONY OF CARL E. GRANT, DIRECTOR, PERSONNEL PROGRAMS DIVISION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. GRANT. Thank you, Mr. Chairman. I have a brief statement that I will submit for the record [1] and, if you will, I'll summarize it, very briefly.

Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the experiences of NASA in recruiting and retaining top quality scientists and engineers. And, further, I appreciate your recognition that there are current system inadequacies which impede our efforts to hire and retain the highest quality personnel in the Federal service.

Historically NASA has been able to compete quite well. We're able to do that because of the excitement of our mission, our unparalled facilities, the education that we provide and the challenging work.

However, increasingly we've become concerned that the trends are working against us. The reason this is so is that our toughest competitors have become aerospace firms doing Government work. They are able to offer better salaries and benefits and also to offer the same challenge that we do in terms of the close association in the aerospace area and involvement with the Nation's space endeavor.

Our concerns are heightened because as a basic research and development organization, in order for us to remain on the cutting edge of technology, performing functions that are critical to this country, to maintain its leadership in space and aeronautics.

We have been able to do this only by employing top quality people.

Our eight field centers do on campus recruitment at approximately 150 campuses. We find that our competitors are able to send numerous representatives well ahead of time to do a good job of marketing prior to setting up the interview schedules. Once the students are interviewed, they also have the resources, our competitors, to invite the students for tours at their facilities.

We find now, on an average, our fresh out hires, the salaries that we're able to offer are $3,000 to $5,000 behind that of our private-sector competitors. Most important to us, the number of offers that we make that are declined have been increasing at a tremendous rate.

In 1985, we had a 40-percent declination rate. That rate does not include those individuals who inform us that they are no longer interested in being considered further. If we knew what the true rate was, it would be much higher than that 40 percent.

At places like our Ames Research Center, the declination rate is approximately 55 percent. In our opinion, the most serious failing of the current civil service system, with respect to our primary occupations is pay disparity.

Between fiscal year 1983 and fiscal year 1985, NASA scientists and engineer losses, for reasons other than retirement,increased from 294 to 361 employees. And, most of these separations did occur at senior grade levels. Of the 361 losses, nearly 25 percent indicated that their resignation was due to a higher paying position outside.

---

[1] See p. 221.

It is our perception that a great number actually leave for that reason without so indicating. We know that the personnel who retire also do so to accept higher paying positions, but we have no specific data on the numbers involved.

Our concerns for the future are very simple. Currently 11.2 percent of our scientists and engineers are elibible for optional retirement meaning that they could walk out the door today.

Over the past 3 years, 17 to 20 percent of all eligible employees have elected to do so annually. Even if that rate of election remains constant over the next 5 years, the actual number of retirements would increase annually because more and more employees become eligible.

Most significant is the fact that 17 percent of our scientists and engineers would be eligible for retirement by 1989, even after allowing for our usual number of retirements along the way.

We feel that there is an acute need for greater flexibility in the salaries that we may offer our scientists and engineers at all levels.

Additional flexibility and incentives to attract quality personnel are clearly needed. We recognize that the problems we face are not limited to NASA alone. NASA has been participating in an administration review of this issue chaired by Constance Horner, the Director of OPM and I understand that the recommendations are going to be submitted to the President in the near future.

Again, I thank you for the opportunity to be here and look forward to an improved civil service system.

Senator STEVENS. Thank you very much, Mr. Grant.

Mr. Nicholas.

TESTIMONY OF EDWARD E. NICHOLAS, JR., DIRECTOR OF PERSONNEL, NATIONAL INSTITUTES OF HEALTH

Mr. NICHOLAS. Yes, Mr. Chairman. I, too, have a statement that I would like to submit for the record [1] and if I could just summarize a couple of key points.

I would like to talk about two areas where we have problems and one area where we do not, just for contrast.

We have a serious problem in recruiting and retaining patient care personnel where the educational preparation is at the bachelor degree level. NIH runs the largest research hospital in the world and we are having real difficulty in keeping some of these positions filled. Our turnover rates in this area have been running from 11 percent to 55 percent. In some cases it's been so difficult to keep up with the recruitment demand that we have, in effect, given up and contracted out certain of these patient-care services.

In the middle-range entrance level, Ph.D. and M.D. personnel, we are able to attract the numbers and quality of people that we require to meet the entry level staffing requirements of our laboratories and clinics. So this is an area in which we have not really experienced problems.

---

[1] See p. 227.

Moving though to the top scientific personnel, at the level of laboratory chief and institute director, we find ourselves, once again, facing salary competition in the range of $90,000 to $175,000 a year, so that constitutes a serious problem for us.

Another problem that has already been alluded to by other witnesses is that the civil service system was not designed to attract people at midcareer. It was designed with the concept that people would come in out of university training and their entire career would be with the Federal Government.

We are trying to attract at the institute director level, personnel with established careers, mainly in universities. In addition to the salary difficulties, we face the difficulty of not being able to offer them an affordable pension plan.

These are problems that are not confined to the National Institutes of Health and are being studied Governmentwide and I understand, as Mr. Grant does, that recommendations are being formulated for submission to the President.

Thank you, Mr. Chairman.

Senator STEVENS. Thank you, Mr. Nicholas.

Mr. Schulman.

TESTIMONY OF J.M. SCHULMAN, DIRECTOR, OFFICE OF PERSONNEL, DEPARTMENT OF ENERGY

Mr. SCHULMAN. Mr. Chairman, I also have a statement that I would prefer submitting for the record [1] but I would like to summarize on a couple of points.

First of all, we're pleased that the issue of ability to hire and retain quality personnel is receiving the kind of attention that it is receiving.

We continue to find ourselves with shortages of nuclear engineers, electrical engineers, and electronics engineers associated with our power marketing activities. There is an apparent major problem in recruiting high-quality entry level people because of the pay disparity, but the pay disparity is neither just at the entry level nor is it with the engineering groups alone.

Our Office of Energy Research, for example, has difficulty attracting experienced research scientists for a number of their senior positions. While we have a Government-owned, contractor-operated research laboratory environment, the assessment of the research, the determination of the direction of research, the evaluation of the quality of research is a Federal function, as an oversight role of the contractor activity, and we have the necessity to have credentialed individuals on our rolls who can make those kinds of assessments and assure that the Government is, in fact, receiving a fair return on its investment.

While the pay gap narrows as we move beyond entry level, we then begin to find that the Federal sector is at a disadvantage in its ability to provide fringe benefits so that we are increasingly utilizing our delegated authority to make appointments above the minimum rate for higher level individuals and about 70 percent of the requests that we have processed for advance in hiring rates have been at steps that exceed the middle of the pay range.

---

[1] See p. 239.

Approximately 21 percent of our resignations, over the past 4 years have been in our engineering and scientific occupations and these are many of our senior professionals and first-level supervisors who are being lost as a result of the direct competition from the private sector where a total compensation package can be offered that, at least, has the appearance of being more attractive than the Federal total compensation package.

We also are concerned about retention of our most experienced scientists and engineers. We have, at the present time, something over 700 scientists and engineers who are eligible for retirement under the provisions of one of the early retirement proposals that was recently introduced in the Congress. This represents about 25 percent of the total number of scientists and engineers that we have in grades 11 through 15 in the Department.

Our Department's mission is diverse and complex and has a long-term national and international significance. The technical discipline mix and the quality of science and engineering staff required to carry out our energy and defense related programs is critical.

Accordingly, we're pleased that these issues are under review. I would be happy to respond to any questions that the subcommittee has.

Senator STEVENS. Thank you very much.

Mr. SCHULMAN. Thank you, Mr. Chairman.

Senator STEVENS. Mr. Cipolla.

TESTIMONY OF FRANK P. CIPOLLA, DIRECTOR, PERSONNEL MANAGEMENT, OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (CIVILIAN PERSONNEL POLICY)

Mr. CIPOLLA. Mr. Chairman, I have a statement, a brief statement, but I would like to highlight some of the key portions relating to the Department of Defense's experience with recruiting and retaining shortage personnel.

The Department generally—and I underline generally—has been able to recruit and retain sufficient numbers of shortage category employees. Over the 5-year period from 1979 to 1984, the number of scientists and engineers in the Department increased from something just over 62,000 to 76,000, an increase of 23 percent. But, I have to add that the increase was not attained easily.

During the 1-year period ending May of last year, 2,860 engineers were hired at the entry levels of GS-5 and GS-7. Now, this represents a substantial number of recruits for that year. It also represented only 33 percent of the 8,666 offers that were made, 1 of 3

Our retention experience reflects essentially the same situation. Overall, our voluntary quit rate is relatively low, but there has been a perceptible increasing trend over the past several years. For engineers, it has been in the 3- to 4-percent range each year during fiscal years 1983 through 1985. This does represent an increase, however, over the 1975 to 1982 period when the quit rate ranged from 1.5 to 2.5 percent.

Much of our recruitment and retention success is a direct result of the special salary authority contained in title 5. Currently we have over 30,000 DOD employees who are paid special salary rates. These employees range from broad groups, such as engineers and medical officers, on a nationwide basis to specific categories such as clerks in Los Angeles and police officers at the Portsmouth Naval Shipyard.

A major category for which we are having to request increasingly broader special salary authorization is the health care support occupational group.

Special rate authority allows us to be more competitive in the labor market. Without it, we would have severe problems.

It is generally accepted that the General Schedule is not designed to respond to local or regional pay differences nor is it capable of responding to geographic variations of relative value.

However, while the special salary program provides assistance in overcoming some of our recruitment and retention problems, it is not fully responsive to our needs.

Existing statutory limitations in the current program do not allow sufficient flexibility to address some of the problems which we encounter.

For example, special salary rates for engineers at the GS-5 and GS-7 levels are at the maximum allowed by the law. These rates are still as much as $7,000 below private sector salaries for comparable positions.

With such a large difference, we have extreme difficulty in recruiting for key disciplines such as electronic engineering and for individuals with highly specialized and desirable qualifications.

Another statutory provision which limits our flexibility is the requirement that special salaries be based solely on recruitment and retention difficulties resulting from higher private sector salaries.

Many of our recruitment and retention problems are related to factors other than pay. Isolated duty stations and undesirable environmental conditions can cause recruitment and retention problems that are just as severe as those caused by pay differentials. To be fully effective, the special salary program must be able to address situations of this type.

A desire to attain enhanced compensation flexibility and thereby improve the recruitment and retention of quality performers is a primary reason, as a number of witnesses have stated this morning, for the Department's strong interest in alternative personnel management systems. An improved compensation system is inherent in the concept of alternative personnel management systems, such as the one that we have been testing at the two Navy laboratories in California.

In this regard, Senate bills 1727 and 2082 would establish separate compensation systems for specific occupational groups. We believe that the result would be a fragmented approach to improving the personnel management system, without the kind of central responsibilities for management that the Government must have.

A broader approach of the type being tested by the Navy, which could allow the inclusion of all occupations, and which essentially does at the two laboratories in California, is preferable and would eliminate the inequities of a fragmented approach. As the other witnesses have stated, our understanding is that the administration has been reviewing these issues and the various options and is now preparing them for consideration of the President. Thank you, Mr. Chairman.

Senator **Stevens**. Thank you, Mr. Cipolla.

I am disappointed that we don't have a position of the administration on these approaches that are before us. We have delayed holding these hearings trying to get such a position. I understand the position that you gentlemen are in so I'm not critical of you personally, but it does seem to me that it's time that OMB faced up to the problem and made a decision as to which way the administration wants to go. These two bills before us have basic differences. I understand that the last comment that you made, Mr. Cipolla and the others have made about the S. 1727, it does, however, follow the only test that we have had so far and that is the China Lake proposal.

I am interested in your comments, all of you, and let me just ask you, as a panel and you can respond, if you wish.

In terms of the authority that you have already to have special pay, has that created a disparity in terms of the professional engineers or doctors or scientists? Has it created a disparity between those categories of specialists and the clerical administrative and financial people that you have to have in the same areas? Has it been a disincentive, really, to have retention in the areas of the people that I would consider to be career permanent people once they enter Government?

Mr. **Grant**. Not now, sir, not that we're aware of. People in occupations other than scientists and engineers who witness that the scientists and engineers do have an advance and higher rate do not seem to be affected by that knowing that they're a shortage category. Generally speaking, that has not been a problem.

Senator **Stevens**. Any others wish to comment?

Mr. **Schulman**. Mr. Chairman, I think you need to recognize that there are two different authorities at work. One is the Office of Personnel Management's authority to establish special salary rates for a category and the other authority to which I alluded in my testimony is the generalized authority for superior candidates who possess specific skills that are required for a particular kind of activity in positions at grade GS-11 and above.

I think that the nature of those authorities are such that it's fairly recognized by the general work force that in the one instance we're dealing with the shortage or critical skilled categories and the other instance, we're dealing with highly specialized candidates with superior qualifications and that, in itself, does not create a disparity because of the rather narrow limits in which the authority is described and available for use.

Mr. **Nicholas**. Mr. Chairman, I would say that that has not been a problem at NIH. The only thing I would add is that a disparity can exist in situations where nonshortage occupations may not receive special rates because there is no private industry in the area, because there is no basis to adjust their pay and provide them with special salary rates, these are the kinds of situations that I alluded to where there are isolated sites, environmental conditions, but the statutory provision that an adjustment has to be made on the basis of comparison with private sector salaries doesn't exist.

Senator STEVENS. Have any of you had any experience with locality pay, with concepts of locality pay?

Mr. CIPOLLA. Of course we do, on a broad scale in the Defense Department and with the Federal Wage Schedule and our blue-collar employees. That's entirely locality pay and a prevailing rate system based on periodic surveys of private sector prevailing rates.

Mr. SCHULMAN. There's kind of a reverse situation in the San Francisco employment area, for example, in which there are special salary rates for clerical employees because, apparently, the competition is great there and not, for example, for some of our other kinds of positions.

Senator STEVENS. Do those special rates enable you to compete with the private sector in San Francisco?

Mr. SCHULMAN. Yes. That has only happened recently. We tried for years to get the salary rates in the Federal Government for secretaries up to what they have in the private sector out in the San Francisco area and it was just approved about 2 to 3 years ago?

Mr. GRANT. Two to three years ago that we were able to do that. We're still starting to, wouldn't you say, Jay—we're starting to regress at many of those areas.[1]

Senator STEVENS. That's a long time ago, but I remember when I was the U.S. attorney, I argued with the Department of Justice for an experiment. We were allowed four attorneys and four secretaries, but the secretaries were staggered in terms of their salaries and the attorneys were of an equal level, except for the U.S. attorney and I asked for just an experimental thing to allow me to have the amount of money that was available for the office and let me run it. I let go of two of the attorneys and hired four first-rate legal secretaries and we eliminated a 4-year backlog in a year.

It does seem to me that the whole concept, that's what the Government needs, is a concept of performance budgeting, letting managers have the amount of money that is allocated to a particular office or function and to achieve the objective.

I have argued for performance budgeting for a long time. I can't quite seem to get any support from the administration and not just this administration, I would say any administration over a period of 19 years. They're all afraid of it.

Why is it that personnel people are afraid of allowing the managers of offices to make the determination?

I don't know if you know that in the Congress we have 540 people, each one of us gets an allowance based on population and no one tells us where to set the salaries or we're told we can't have more than a certain number of people over a certain rate, but we set our own salaries. We make our decisions as to where we spend the money and how we spend it and the system seems to work pretty well, but we're unwilling to trust the managers of the executive branch to do the same thing.

And, I think it's because the managers don't ask for it. Why don't you seek a concept of performance budgeting?

Senator GORE. Mr. Chairman, before they respond to that question. If I might interject, briefly, I want to apologize to this panel for having to leave this hearing early and submit questions in writing which I hope you can answer and——

---

[1] Special rates for clericals in the San Francisco area were terminated January 1, 1984. A request is currently pending at OPM.

Senator **Stevens**. That's my last question, if the Senator wants to wait.

Senator **Gore**. Unfortunately, I really am going to have to go, but I did want to say that before I did. Thank you, Mr. Chairman.

Senator **Stevens**. Thank you. We'll be pleased to submit your questions.

What about the concept of performance budgeting?

Mr. **Grant**. You asked why personnel directors were against it. I'm not sure that's the case. I know personally I would like to see an experiment where that is done. We have discussed it and invariably, the decision not to go forward with something like that does not come from, I think, the personnel director's community. My colleagues may disagree with me, but my experience has been that we would like to see that done.

I think, with all due respect, there's a lot of resistence even within the Congress for performance based budgeting. It's the same thing when you try to advance the concept of locality pay. The opposition is not necessarily only from the unions. Individual Congressmen who feel their constituents might suffer do not want to see a nonuniform pay scale.

Mr. **Nicholas**. Mr. Chairman, as a personnel director, I have no fear of this concept and I would support it.

Mr. **Schulman**. We have philosophically promoted the concept that there should perhaps be no individual personnel ceilings at all, but that rather managers should have the opportunity, as you indicated your experience was, to be allotted a budget and provided with a mission and a statement of goals and objectives and charged to go forth and meet those goals and objectives by whatever means within the parameters of the civil service, that are available to them and stop counting full time equivalents or average salaries or average grades and deal only in terms of has the manager functioned within the budget that was provided for him and has he accomplished the objectives that were set forth for him.

Mr. **Cipolla**. The only thing I would add, Mr. Chairman, is that I don't know a personnel director in town that really believes that the General Schedule, the GS system, can go on very much longer in the current condition that it's in. It simply can't accommodate our needs. We need to have some differences that relate to our differences, occupationally and missionwise, within the Government.

In response to your question about performance-based pay and budgeting, I might relate something that came from the China Lake experience, from those managers and those personnel officials there and they realized after several years of having a great deal of discretion to set pay, that they didn't have before, based primarily on their own assessments and understandings of that assessment on the part of the employees, of the performance of the individuals.

It scared them. It scared them. But when you approached them with a choice of whether they wanted to revert to a GS System where the guidelines and criteria were clear and standard and uniform, they said uniformly, "No way. We would rather be scared and we would rather cope with it," and they are coping and they're doing very very well, even though there are considerable differences among organizations, positions, and levels within that system on how pay is set.

Senator STEVENS. I think we're going to have to have a day on China Lake, revisiting China Lake. I've done it twice now, but I am told at least, there are some new cost analysis involved and I would like to go into the rationale for the ever-expanding scope of China Lake and to find out what leads to the conclusion such as Mr. Packard expressed that he thinks it was a mistake to go to the clerical and financial people and they should have stayed on the professional level.

That bothers me, frankly, but I have great respect for him, so I would like to go into the rationale one of these days.

Mr. CIPOLLA. We would be happy to arrange that, Senator.

Senator STEVENS. Thank you. Senator Levin.

Senator LEVIN. If you are going to spend that time on China Lake, that will cut my questions here this morning, because I——

Senator STEVENS. I got to tell you, I think that hearing is going to be in China Lake.

Senator LEVIN. In that case, I'll ask my questions this morning. I understand that the China Lake experiment has expanded, that it started off one skill-by-skill approach, and that it is now almost organizationwide, but not quite. Nonetheless, we have phased in the professional white-collar personnel. Why was that done, if you can tell us, Mr. Cipolla? Why did we move away from the skill-by-skill approach to the almost organization-by-organization approach?

Mr. CIPOLLA. First of all, Senator, your impression is correct. That is what happened. It was done primarily because of agreements reached between the managers and the employees in the respective organizations in the occupation. Committees were established, employees were consulted, they took months, literally months or years in some cases to determine whether they wanted to opt in the system or not and there are differences, occuaptionally, even within the two laboratories on how the system works, but it was done fully on a participative basis.

Senator LEVIN. Did the management concur in this direction?

Mr. CIPOLLA. Yes, sir.

Senator LEVIN. So the management of China Lake, if they were here, you believe, would say they believe in broadening the approach to an organizationwide system or nearly organizationwide system provided that the employees and their representatives participate in that phasein process?

Mr. CIPOLLA. Yes, sir, at least providing that opportunity.

Senator LEVIN. Do you know what system was used at the Naval Ocean Systems Command? I don't know how to pronounce that acronym or else——

Mr. CIPOLLA. NOSC.

Senator LEVIN. NOSC. Do you know what system was used there? Was that organizationwide or was that skill by skill?

Mr. CIPOLLA. It eventually became organizationwide, but was phased as well. In fact, it includes the clerical employees. China Lake, my last information, was still considering the clerical.

Senator **Levin**. And do you think the people at NOSC would say that that is the better way to go, at least at NOSC, to go organizationwide?

Mr. **Cipolla**. Not on a blanketing in basis. They would prefer to phase it in and let the conditions dictate on the side of management and the employees what was best. I don't think they would want to say that it has to be one way or the other.

Senator **Levin**. Would you say though that they would oppose limiting it to a skill-by-skill approach where the particular conditions in an organization would indicate that it should be organizationwide or nearly organizationwide?

Mr. **Cipolla**. I would think they would say that; yes.

Senator **Levin**. Can you tell us—one question on costs. Do we know whether there is a cost attached yet to the China Lake experiment or the NOSC experiment?

Mr. **Cipolla**. Well, of course, the Office of Personnel Management is responsible under the terms of the law to make those evaluations and they have conducted studies and have developed comparative cost data and analysis of the data.

We can provide that data, but I suggest that it come directly from OPM.

Senator **Levin**. I understand they will be testifying on other dates.

Senator **Stevens**. Eventually.

Senator **Levin**. Then we would save that question for them. Then, if you would all supply for the record the lists of those skills in your agencies where there is difficulty in attracting or retaining folks—I think each of you gave us some examples in your testimony, or most of you did. If we could have a little more comprehensive list because if that is going to be the test, then we obviously have to go way beyond scientists and engineers and people who are involved in acquisition within the Department of Defense. I think each of you gave examples much broader than that and if that is going to be the basis for doing something, I think we've got to be consistent and apply whatever basis or rationale we're going to use to all positions where we have difficulties in attracting or retention.

Beyond that, I think there is the fundamental issue of cost and the fundamental issue of whether or not we would do this on an organizational basis or on a skill basis and those are, at least, some of the questions that I have in my mind, Mr. Chairman, before we proceed down this road. Thank you.

[The information referred to follows:]

Civil Service Classification	Skill Area
All GS 800's including	
801	General Engineering
802	Engineering Technician
803	Safety Engineering
806	Materials Engineering
808	Architecture
809	Construction Control
810	Civil Engineering
830	Mechnanical Engineering
850	Electrical Engineering
855	Electronic Engineering
856	Electronic Technician
861	Aerospace Engineering
892	Ceramic Engineering
893	Chemical Engineering
All 1300's including	
1301	General Physical Sciences
1310	Physics
1313	Geophysics
1320	Chemistry
1330	Astronomy and Space Science
GS-602	Medical Officers
GS-1550	Computer Scientists
GS-300	Clerical Employees
GS-1102	Contract and Procurement

Senator STEVENS. Thank you very much.

Well, this is, as I indicated at the beginning, just the beginning—is just the first of a series of hearings on the subject. I'm inclined to believe that most people are ignoring the road signs. The road signs to me point to a cycle of decreasing employment in the Federal sector, with increasing responsibilities, and, under those circumstances, it seems to me that that is the time when managers ought to be given the greatest discretion possible in using the funds that are available to accomplish the mission that has been assigned to them by the Congress and the executive branch.

I am hopeful that we will develop a proposal that will go to a two-concept performance budgeting authority. Whether it's followed, of course, will have to be discretionary, because, apparently, there are some areas where the demands are so routine that it might not be possible to use that concept of performance budgeting in a fair manner.

I look forward to your comments and your answers to Senator Gore's questions. He's done a great deal of work on this. I must say that I am inclined to the broader authority, it's in the Trible bill rather than the more narrow extension of the China Lake experiment that's in the Bingaman bill at the present time.

But, we'll just have to develop the policies here and see what happens.

Senator LEVIN. Mr. Chairman, if I could interrupt for a minute.

I didn't finish my thought relative to that question for the record.

Would it be possible for each of you to supply, for the record, the list of the classifications where you have problems in attracting and retaining people?

[The information referred to follows:]

INSERT FOR THE RECORD

OCCUPATIONS WHERE RECRUITMENT AND RETENTION DIFFICULTIES ARE BEING EXPERIENCED

One or more of our offices report difficulty in recruiting for almost all of the scientific and engineering disciplines employed by the Department, with the possible exception of architects and petroleum engineers. In many highly specialized disciplines, the Department has only a small number of positions; therefore, a list of the specific disciplines where problems exist would be long, but somewhat misleading.

The most severe problems are in positions requiring highly specialized experience in research and development at GS-12 and up, although some offices also report difficulty at entry levels as well. Problems also vary by location, indicating differences in regional labor supply and, in some cases, perceived attractiveness of the duty station or its remoteness from sources of labor supply.

For example, Washington, D.C., Morgantown, West Virginia, and Richland, Washington, report considerable difficulty in filling scientific and engineering positions despite extensive recruitment efforts, while San Francisco, California, Portland, Oregon, and Savannah River, South Carolina, report only moderate problems.

The safest generalization at this time appears to be that recruitment and retention are becoming increasingly difficult for scientific and engineering positions. The problems are somewhat obscured by relatively limited recruitment due to resource constraints, but they are most evident where one or a combination of adverse factors exist such as highly specialized experience requirements, less desirable duty location, or more intense competition for the available labor supply. These are precisely the situations where the effects of non-competitive salaries first appear. It is also to be expected that further erosion of salary comparability, coupled with a general revival of the economy, will result in even greater recruitment and retention problems for the Department.

Senator **Stevens**. That would be a request. We do request that you respond as promptly as possible to Senator Levin's questions and we appreciate your attendance.

Thank you very much. .

The subcommittee will now recess.

[Whereupon, at 11:48 a.m., the subcommittee recessed to reconvene at the call of the Chair.

ALTERNATIVE PAY SYSTEMS IN THE FEDERAL GOVERNMENT

WEDNESDAY, APRIL 30, 1986

U.S. Senate,
Subcommittee on Civil Service,
Post Office and General Services,
Committee on Governmental Affairs,
Washington, DC.

The subcommittee met, at 10:10 a.m., in room SD-342; Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens, Gore, and Levin.

Senator **Stevens**. Good morning. This is the second day of 3 days of hearings concerning civil service pay issues. Our third hearing is scheduled for May 14 in room 124 of this building and hopefully we'll start at 10 o'clock. Sorry to be late this morning.

Our first witnesses this morning are from the General Accounting Office. Rosslyn Kleeman accompanied by Thomas Eickmeyer. We're happy to have you here this morning.

TESTIMONY OF ROSSLYN S. KLEEMAN,[1] ASSOCIATE DIRECTOR, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY THOMAS A. EICKMEYER, GROUP DIRECTOR, GENERAL GOVERNMENT DIVISION, U.S. GAO

Ms. **Kleeman**. Thank you very much.

We're pleased to be here today to talk about the bills before you. I would like to submit my statement for the record and just briefly summarize some of the main points that we have to make.

Senator **Stevens**. Thank you very much. We would appreciate that.

Ms. **Kleeman**. Adequate compensation is certainly critical to the Government's ability to attract and retain competent employees and as a result of the failure to grant comparability pay raises the past 8 years, General Schedule salaries are now about 20 percent behind the private sector for similar work.

GAO has suggested using both pay and benefits when making comparisons with the private sector. One study which uses both pay and benefits showed overall compensation in 1984 lagged behind the private sector by 7.2 percent. It now shows an estimated lag of over 15 percent.

---

[1] See p. 272 for Ms. Kleeman's prepared statement and p. 277 for responses to written questions submitted by Senator Gore.

The special pay rate program has helped in certain labor markets and with certain occupations, and its use is increasing. There are now about 37,000 special rate positions. That's up from 8,000 in 1977 and from 34,000 in 1984.

Why have these numbers been increasing? Well, pay adjustments have been less than needed to achieve comparability, and pay adjustments have been across the board instead of grade by grade, and geographic and occupational variations aren't recognized in the General Schedule.

About the specific bills you're considering today, we support the intent and purpose of S. 1327. This bill permits inclusions of some of the factors I just mentioned in setting special pay rates.

We do have some concerns about S. 1727 and S. 2082. Our major concern is the selective treatment of certain employees and the proliferation of alternative personnel management systems. The case for special treatment of these groups is supported, primarily by anecdotal information.

Similar problems have been documented for other occupations as well as the ones in the bill. And these are just one result, we believe, of a pay system that underpays across the board.

Separate systems for certain occupations could create enormous adminstrative problems; yet, if alternative systems are needed, we believe it preferable to establish them on an agency by agency basis, eventually including all agencies with central control by OPM.

I think this covers the main points in my testimony and I would be happy to answer any questions that you have.

Senator Stevens. What you're really suggesting is that we take the China Lake experiment concept and just extend it department to department and agency to agency until eventually we've got everybody included.

Ms. Kleeman. I think that would be preferable to the occupation by occupation. We have some concerns about the China Lake experiment. It's never really been independently evaluated. The only evaluations that there have been are the ones by OPM and the Navy, and we hear from some people that there are concerns that haven't come out in those evaluations.

It is certainly preferable, to handle an agency by agency alternative system rather than an occupation by occupation one though.

Senator Stevens. I have expressed concern about that approach because it seems to me that what it would do would be to take care of the problems in individual occupations without taking care of the overall disparity in wage scales for the whole Government.

In Alaska, for instance, we have people leaving the General Schedules in order to take the blue collar jobs because they have a prevailing local rate comparability that the General Schedule has never had and they have a great deal more stability in those prevailing rate jobs than in the General Schedules.

Why should we not look to some concept of prevailing rates on a locality basis rather than a departmentalwide discretion to take care of the problem areas?

Ms. **Kleeman**. We have suggested using locality basis for certain occupations in the past.

Mr. **Eickmeyer**. Yes, and that's why we're still not convinced necessarily, that the China Lake process is the best way to go. We preface our comments with, if we want to go that way, we would rather have it agency by agency. But, we think the special rates bill that you have before you can address many of these other problems that are within the General Schedule. It too—the current special rates system, has limitations. It has ceilings on how much can be paid and with the General Schedule being about 20 percent behind, overall the special rates program isn't sufficient to overcome that wide disparity.

We think the proposal of the Warner-Trible bill to expand the areas that can be considered in setting those rates and increasing the maximum, can address the problems that you identified.

Senator **Stevens**. They'll address those problems, but what about the balance who are still 20 percent behind the private sector?

Ms. **Kleeman**. Well, that's one of the real problems that we haven't paid any attention to—comparability for the past 8 years. We feel that's where the real problem is.

Senator **Stevens**. And that's basically because Congress is unwilling to face the problem of its own pay and since it won't face the problem of its own pay, it won't face the problems of anyone else's pay.

Ms. **Kleeman**. There certainly are problems.

Senator **Stevens**. Maybe you won't say that, but I'll say that. I say it quite often.

Ms. **Kleeman**. I left it to you.

Senator **Stevens**. Thank you very much. We appreciate your testimony and thank you, Mr. Eickmeyer.

Now we have the Federal Managers Association, Mr. Minahan, accompanied by Catherine Ball.

TESTIMONY OF MICHAEL E. MINAHAN, PRESIDENT, FEDERAL MANAGERS ASSOCIATION, ACCOMPANIED BY CATHERINE BALL, LEGISLATIVE COUNSEL, FMA

Mr. **Minahan**. Mr. Chairman, I'm Mike Minahan, president of Federal Manager's Association and a full time career Federal manager at the Army Watervliet Arsenal in upstate New York.

I appreciate the opportunity to share with you and the other members of the committee our views on the three pieces of legislation regarding special pay rates currently before the committee.

There is no question that our personnel system in the Federal Government needs reform, especially in the area of pay; it's outdated and burdensome. The steps that these bills take in regard to scientific and technical personnel are innovative. Some of the ideas we like better than others.

S. 2082 proposes to set up a 10,000-member independent civilian procurement corps in the DOD to monitor contracts and purchases. In essence, it allows the Secretary of Defense to set up his own civil service system. Part of the bill indicates that a strict pay for performance system may be set up. Employees may even have their pay reduced for bad performance and if they're actually removed, they're entitled to be placed in civil service positions in other agencies. We're concerned about what agency would want to take such an employee.

The bill also provides for a prohibition on private employment contracts between some DOD officials and defense contractors.

Some of the ideas in S. 2082, such as the prohibition of the revolving door employment of DOD officials, are ideas that the Federal Managers Association has supported in the past. However, in spite of the fact that problems have been uncovered in the procurement process at the Pentagon, we do not believe that the answer to the problem is fragmentation of the civil service system. A separate system in part of the DOD, with rules determined by the Secretary, does not solve the basic problems of the current personnel and pay system.

S. 1727 and S. 1327 seek to ease recruitment and retention problems in the scientific and technical areas. Some of our members have experienced this problem first hand. There is no doubt that attracting and retaining scientific and technical personnel to work for the Federal Government is a serious problem that we must address. Regardless of the fact that the entire pay system needs an overhaul, this particular legislation should go forward as quickly as possible. However, we have to be concerned about a patchwork quilt of special fixes to a pay system that needs an entire overhaul.

Both bills permit agencies to establish alternative pay systems for scientific and technical personnel based on guidelines rendered by OPM. This is far better than having to apply to OPM for special rate authority. That process takes too long. In addition, it's the agency's job to get its work done. I, as a manager, would know when to trigger the alternative pay program. I shouldn't have to get permission from a central agency to do that.

Both bills provide higher rates for supervisors, although the more general language of S. 1727 to "provide supervisory and managerial pay differentials" seems to more effectively deal with the problem of general schedule supervisors who, all to frequently, make less than their wage grade employees. That situation could also apply where you have General Schedule supervising General Schedule. I would guess that the Federal Government is one of only a few places in the world where a supervisor or manager can make less than his or her subordinates.

Sabbaticals for scientific and technical personnel is also a good idea. S. 1727 provides for a new retirement plan, although I agree with the remarks made by Senator Bingaman earlier this month—that the new retirement plan being developed under your leadership should provide the kind of flexibility and portability envisioned in the provisions of S. 1727.

These proposals have all been fueled by the success of the China Lake experiment. We have FMA members at China Lake, and they seem to concur that the experiment is a success. The management structure was simpler. It allowed more flexibility by the supervisors. It reduced the administrative burden placed on managers. It's difficult to know if China Lake can be expanded successfully, but it would be a shame not to try. S. 1327 would extend the China Lake experiment to all scientific and technical personnel. S. 1327 makes it easier to obtain special pay for those same personnel. Instead of endorsing a particular bill, we want to endorse the idea of greater ease and flexibility in obtaining special pay authority. This is the most critical problem and it must be solved now. If S. 1327 will move faster because it is less complicated, then let's move that bill. If S. 1727 could get on the fast track, then that's the one to go with.

Pay reform in the Federal Government is a notoriously slow process. There are a number of problems that need solving in that area. I would like to close my remarks on a cautionary note, however. We seem to be moving in a direction where any idea with any amount of cost attached to it is being dismissed out of hand because of our deficit crisis. This is a dangerous notion because, as we all know, you can't get something for nothing. Unless the Government is willing to invest some money in improving the Federal Government's personnel system, no real change can take place and the problems in attracting and retaining personnel that you have listened to during these hearings will increase dramatically.

I guess what we're saying is you only get what you pay for. If we're not willing to pay, we're not going to get the best and the brightest. We'll be happy to respond to any questions you may have.

Senator **STEVENS**. Thank you.

Mr. **SHAW**. Do you want to make your statement first?

TESTIMONY OF G. JERRY SHAW,[1] GENERAL COUNSEL, SENIOR EXECUTIVES ASSOCIATION, ACCOMPANIED BY RICHARD L. STROMBOTNE, MEMBER, BOARD OF DIRECTORS, SEA

Mr. **SHAW**. If I may, Mr. Chairman, I would appreciate the opportunity to edit and summarize some of the rather lengthy statement that we have prepared.

Senator **STEVENS**. We'll print your statement, in full, in the record.

Mr. **SHAW**. Mr. Chairman, thank you very much.

We want to thank you for the opportunity to be here. I am accompanied by Dr. Strombotne, a member of our board of directors and the chairman of our compensation task force.

Before presenting our testimony, I want to thank you, Mr. Chairman, on behalf of Federal employees and other public employees, for your efforts in opposing the proposal to change the 3-year basic recovery rule in the Tax Reform Act. We also wish to thank you for your hard work which is either now at an end, or will go on another 30 days—to enact the new retirement system. We especially commend your efforts to allow current employees, Members of Congress, the judiciary, and political officials to participate in the new thrift plan by contributing up to 10 percent of their salary with no Government matching.

Senator **STEVENS**. Let me just interrupt you right there and tell you that there's going to be some people with their feet to the fire here for the next few days. I'm not sure that extension is going to be granted, but people shouldn't panic for a few days. We're at the end of the month and we structured it that way so it really won't have any impact until about the seventh or eighth of next month, when the pay checks will be prepared. We have about a week leeway still to work something out and I'm hopeful we will work it out.

---

[1] See p. 280 for Mr. Shaw's prepared statement.

Mr. SHAW. That's good news, Mr. Chairman. We are anxiously awaiting the outcome of that and I think a lot of other people are too.

Before proceeding to the question, Senator, of the three proposals, we would like to, very briefly, review the association's past observations about Federal pay in general.

The problem now facing the Government is that it just does not pay its employees enough to be competitive. This is true at all levels from GS-5 to senior executives to executive level II; it is true for Congressmen, Federal judges, for high political officials. The Quadrennial Pay Commission last year reported that Members of Congress who made $42,500 in 1969, now at their current $75,100 rate make the equivalent of $25,724 in 1969 dollars, a decline of 39½ percent in actual purchasing power.

The executive branch officials experienced the same decline in purchasing power.

Simple arithmetic shows the congressional salaries and those of level II executives would have to be increased 65.3 percent to overcome the nearly 40-percent decline noted by the Commission in 1984.

Since then, as you know, Mr. Chairman, there has been a further decline. There have been numerous studies and reports, and we want to call your attention to just one of them.

In their 1984 report, the Hay Group did a special study of selected SES-6 level positions. This is the equivalent to executive level IV in the executive level category. For this selective group of ES-6 senior executives, total cash compensation would have to be increased by 72.5 percent to bring it up to the average total cash compensation of their private sector counterparts.

Presumably the majority of SES positions do not have the level of difficulty of the selected group of ES-6 positions. On the other hand, they are certainly more difficult than GS-15 positions which we have seen and which Hay has pointed out would have to be increased in salary by 35 percent to match the total cash compensation of their private sector counterparts.

Thus it seems fair to conclude that currently, from the Hay studys and its update, the pay of senior executives would have to be increased somewhere between 35 and 72 percent, which is a pretty big gap, to equal the average total cash compensation of their private sector counterparts.

The New York Times of Sunday April 13, 1986, reported results from the 1986 Endicott Report, an annual survey conducted at Northwestern University of the hiring plans of 230 major companies. The average starting salary for a college graduate will be $21,060, higher for some, lower for others.

For comparison, the first step of the GS-5 pay scale is $14,390 and most Federal employees, unless they are under a special pay category, are hired at GS-5 of late, coming out of college.

For masters degree graduates, the disparity is even greater. In your hearings last week, you received numerous reports of agencies having great difficulties hiring and keeping qualified employees in a variety of fields. You undoubtedly will hear more of that today.

It is true that in years past, well qualified people accepted positions in the Federal Government, even though they could earn higher salaries elsewhere. It is much less true today.

Coupled with our major concern regarding the need for across-the-board compensation increases, is our equally serious concern regarding the cumulative effect of the current legislative agenda as it concerns Federal employees.

May we draw your attention to the fact that at present the House-passed tax reform bill contains a provision which eliminates the 3-year basis recovery provision and would signficantly penalize many current employees when they were to retire. This provision would therefore encourage many skilled and experienced Federal employees to retire prior to its effective date, July 1, 1986.

S. 2197 will provide an opportunity for Federal employees to take advantage of early-out retirements. While this may well alleviate the impact of tax reform provisions and reduce the strain of Gramm-Rudman on many agencies, again it will encourage many skilled and experienced Federal employees to retire.

Your new retirement bill for post 1983 employees provides a much greater degree of portability of benefits for employees who thus may leave Federal service in mid-career.

OPM has drafted legislation pursuant to the President's budget proposal which would increase the retirement contribution for Federal employees in the existing system, raise the minimum age for retirement and change the method of calculating retirement benefits.

Thus while these three bills seeking special pay legislation would attempt to overcome the problems in attracting and retaining Government employees, other legislative proposals seek to encourage the same employees to leave Government employment or to never consider entering.

At best these proposals are at cross purposes. Our concern then is that it is time to stand back, analyze the problems besetting the career service, determine appropriate objectives and adopt a coherent personnel policy for the Federal Government.

I cannot emphasize too strongly our concern that this must be done and done soon. Each of the three bills being discussed today is a well-intended, good faith attempt to deal with a specific aspect of the much more general problem of employee compensation.

If SEA is forced to choose, we would favor S. 1327, Senator Trible's bill, over the other two proposals. It contains the basis for covering the broadest numbers and categories of employees in all agencies and would do so on the basis of performance and the needs of the agencies.

It does, however, have its faults. It is easy to anticipate that two agencies could be in the position of competing with each other for the same employee, for the same job, requiring the same skills by offering two different pay scales in the same location.

The thought of DOD or NASA enticing clerks from the Social Security Administration because the former agencies have more money may seem reasonable now, but when the Social Security claims aren't handled and the checks are late, it won't seem so reasonable.

We say, if forced to choose, because, in reality, the problem being addressed is Governmentwide and it is going deeper into the system. We are no longer paying enough for good employees and we therefore can't get them and we can't keep them.

All three bills are Band-Aids. They won't cure the cancer in the system and they don't try to. Right now we say we need more scientists and engineers. I remember personally from 1970 through 1972, when I first came to work for the Government, I had engineers living across the street from me, and engineers were a glut in the Government because of the change of emphasis; many were being RIF'd.

The day will come when the emphasis changes again and they will again be a glut in the market.

Two weeks ago airport guards became important and we discovered the ones we had weren't very good because the good ones had left for other better paying jobs. So OPM raised their pay 25 percent or so. Where will the crisis be next? Immigration and Naturalization Service if the new immigration bill passes or if illegal immigrants flood our southern borders. IRS if massive tax fraud is discovered or the tax receipts go down because of people not filing their returns. HUD if people begin dying in public houses from a plague caused by rats; or maybe in solar power if oil prices go through the roof again.

This Government today reminds us of Peter running around sticking his fingers in the dike wherever it's cracked. He promptly ran out of fingers. These piecemeal approaches won't work in the long run. They may for a short period, but not for long.

We have asked before, Mr. Chairman, for a new little Hoover Commission as proposed by Congressman Wolf and Senator Warner last year and the year before.

Last year the Senate passed such a bill. Now, in the face of the beginning of legislative proposals to slice the Government personnel system up into numerous little vertical pieces, we are begging for such a commission. We must begin the process once again of building a system which will work in the long run and will get and keep good people in Government. Until we do, we will support S. 1327 as the best Band-Aid offered. At least it has a little iodine on it and it may sting enough to wake up a few people.

Mr. Chairman, we thank you for this opportunity to come and we'll be very happy to answer any questions you may have.

Senator STEVENS. As I understand both of you, if I read between the lines, and sort of listen a little, what you're really saying is you would like us to do something now to take care of the real problems, but you would also like us to look at or to find a way to address the overall problem of the pay system of the Federal Government over the long run, is that right?

Mr. MINAHAN. Yes, Mr. Chairman.

Mr. SHAW. That's correct, sir. The pay comparability system is so out of whack it is neither accepted nor believed and it has gotten worse and worse. As Mrs. Kleeman pointed out, we haven't had pay comparability for 8 years now. There is probably no hope of getting it. Let's get a system that people believe in or that has some certainty to it. Maybe it won't provide comparability with the private sector; maybe there's 10 percent less pay that public employees should accept because that's part of public service. But if it is 10 percent or 15 percent or 12 percent, let's tell everybody what it is. Then they can say, all right, I'll take 10 percent less because what I'm going to be doing is important.

Senator **STEVENS**. I understand that. I think the difficulties we face are not only in the civilian sector, but in the military sector. We have had special plans for crises that then become engrafted on the system and, in effect, cause greater variations in the system. Unfortunately, that's what is being suggested now; another temporary system to deal with the high priority of areas where there are shortages. In effect, they're trying to compete with the private sector where the answer in the private sector is to pay enough to attract the people that they want.

Mr. **SHAW**. To keep them long enough to use them on whatever their contract calls for, until it's time to get rid of them. If we want to do that, Mr. Chairman, and operate as the private sector does, then we're going to have to pay the same to keep the people, and then we're going to have to get rid of them when they are a glut on the market because our priorities have changed. That hasn't been the history of the compensation system and the personnel system in the Federal Government because we have had to maintain programs, oftentimes which are not politically popular or are not the kind of things that that the populace understands.

So, if we're going to go to a system that's like the private sector where I have a company that right now has a contract to do some task, and I go out and pay whatever the market demands to get the people to do that task, and then I'll let them go at the end, that's fine. But we haven't in the past. If that's where we need to go to, we need to look at what the ramifications of that are going to be.

Senator **STEVENS**. It is a change in philosophy. I was thinking about it the other day. When I went into the Government, it was my philosophy that if you went into Government as a young person, you would get low compensation and you would get tremendous experience and very few people would really stay beyond a relatively short period of time. Those that did were sort of selected out and were very very good and they were going to get very high compensation. In those days it was very high compensation.

The others who came in and got the experience and went out had more than they would have had if they had stayed in the private sector in terms of experience and therefore they had a benefit in serving the Government, too.

We have turned that around now and we try to pay a very high rate of money to attract the brightest of the bright in each new generation. Somehow or other, I think we have lost sight of that experience factor that's worth a great deal to younger people.

I would hope that we find some way to do what you suggest. We are still trying to see if we can melt S. 1727 and S. 1327 and we're waiting for the administration's proposal which we read about in the paper this morning. I'm sure you all did.

Mr. **SHAW**. Thank you, Mr. Chairman.

Senator STEVENS. We will be submitting that to you all, your associations, for comments as we review that. Thank you very much.

Our next panel represents the National Federation of Federal Employees, Mr. Peirce, accompaned by Tricia Thomas and the National Treasury Employees Union, Mr. Tobias.

TESTIMONY OF JAMES PEIRCE,[1] PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES, ACCOMPANIED BY TRICIA THOMAS, LEGISLATIVE DIRECTOR, NFFE

Mr. PEIRCE. I'll summarize, Mr. Chairman, assuming the complete statement will be in the record.

Senator STEVENS. Yes, sir, that will be the case.

Mr. PEIRCE. Thank you. I'm pleased to appear before the subcommittee today to testify on three bill which address the problem of attracting and recruiting qualified civilian personnel. Although each of the legislative remedies proposed is tailored to meet different needs, they all share one thing in common, a recognition that the Federal Government can no longer compete against the private sector in hiring the best and the brightest.

The National Federation of Federal Employees shares the same concern over the Government's hiring difficulties. We therefore commend the chairman for conducting hearings which will, I hope, lead to the necessary reforms.

One of the greatest barriers to the recruitment of Federal employees has been the failure of the pay system to offer competitive wages. Under the terms of the 1970 Pay Act, Federal pay is based on the principal of comparability.

In other words, civil service employees should receive the same rates of pay as private sector workers for the same type of work, but the pay comparability system has failed to work because the President was given the authority to recommend an alternate pay increase. The result has been a series of pay raises that have not paralled private sector wage increases.

According to a study of Federal compensation by the Hay group, in 1984, Federal pay was found to lag 10.3 percent behind the private sector. The Hay group updated their study this year to reflect a gap of almost 18.9 percent.

It should come as no surprise that the Federal Government is experiencing hard times with its recruitment. Because the President has the final say in determining the civilian pay increase, a less expensive work force has become more important than a quality work force. The pay comparability system does not allow the Government to attract the best qualified candidates it needs. In fact the Government is well on its way to becoming an employer of last resort.

The subject of todays hearing is a legislative remedy by which agencies can resolve their hiring and retention problems.

The three bills to be discussed today all have a common thread, specifically a greater authority for agencies to set higher pay rates. While this is one approach to the problem, it is far from the best. Expansion of special pay rates and performance based pay systems is a piecemeal approach which addresses the result instead of the root of the hiring problem.

---

[1] See p. 291 for Mr. Peirce's prepared statement.

A much better resolution would be to reform the entire Federal Pay Comparability Act of 1970. By doing so, you would forego the need to create hundreds of separate systems that only further complicate the problem. But, in the absence of any immediate improvements to the pay act, Senator Trible's bill, S. 1327, offers the best approach for meeting the agency's recruitment difficulties.

Currently agencies can request special pay rates to help them attract and retain employees in hard to fill positions.

Senator Trible's legislation would give strength to the special pay authority by forcing OPM to act within a specific time. Forcing OPM to act on a special pay rate request is the only way the program can work.

We would also like to see S. 1327 amended to grant all employees on special pay rates the same percentage pay increase general schedule employees receive annually.

If agencies are to be given the authority to offer these higher rates of pay to recruit qualified candidates, OPM should not penalize the employees by denying them the annual pay adjustment. The past policy of granting salary adjustments should be codified to prevent further manipulation.

While the NFFE supports the intent of S. 1327, to expand the higher pay rate authority, we do not support the proposed change for within grade increases.

Under the Senate bill, employees covered by special pay rates would be granted periodic step increases based on the recently established performance management and recognition system. We do not yet know whether this merit system will prove to be as successful as its authors intended.

The system would also be confusing the supervisors and managers. We therefore urge the subcommittee to amend S. 1327 by providing periodic increases consistent with current law.

Before concluding my remarks about Senator Trible's legislation, I would like to commend him for proposing innovative compensation measures. The first is a salary advance and the second is a bonus payment.

The second idea—that of a bonus payment—could be a good recruitment and retention tool, but not as it is currently proposed.

Senate bill S. 1327 would allow an agency to grant employees a bonus payment, not to exceed $10,000. However, the employee must agree to remain with the agency for a given period of time. If he leaves his job before the time has expired, he will, in effect, be fined. This is not so much a bonus payment as it is indentured service. The bonus is given in recognition of service performed. It is not a contractual obligation to hold an employee in service.

I therefore urge you to delete the repayment clause in section 5303(b) of the bill.

I would now like to turn to the remaining two bills, S. 1727 and S. 2082.

S. 1727 proposes changing the way Federal scientists and engineers are compensated. The bill would allow agencies employing these professionals to establish alternative personnel systems for each occupational group. While this may be appealing in theory it would be a nightmare to administer. Allowing agencies to establish their own compensation systems would result in a confusing array of personnel systems. It is also possible that agencies would begin to compete against each other to recruit qualified candidates. This could quickly boost agency personnel costs. Even if the new systems were easy to administer, we don't know how well they would work when applied to such a large group of employees.

Although the Navy and OPM have rated the China Lake project favorably, no Federal employee represenatives have participated in such an experiment, and we are not sufficiently satisfied that the application of a performance system for such a large group of workers could be done in a fair manner.

The time has not yet come to expand the China Lake project. Before such an expansion, Congress should authorize a more extensive series of alternative pay projects in which recognized employee representatives could participate.

In conclusion, I would to reiterate the need to reform the entire Federal pay system. The Government should not be forced to resort to special pay rates or alternate personnel projects to attract and keep employees. The introduction of of S. 1327, S. 1727, and S. 2082 clearly demonstrates that the pay system is not working.

But the fragmented, Band-Aid approach they offer is not the answer to the Government's hiring problems. What is needed instead is a thorough review of the 1970 Comparability Act to solve the problems where they originated.

That concludes my statement.

Senator STEVENS. Thank you, Mr. Peirce.

Mr. Robert Tobias of the National Treasury Employees Union.

TESTIMONY OF ROBERT M. TOBIAS, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

Mr. TOBIAS. Good morning, Mr. Chairman. Thank you very much for inviting us to testify today.

While none of the three provisions, S. 1327, S. 1727 or S. 2082, being considered, are without flaws.

NTEU favors the approach taken in Senator Trible's bill as the best means of insuring increased recruitment and retention success with minimal administrative problems.

Senator Bingaman's bill, on the other hand, which proposes the establishment of unique alternative personnel systems, complete with new provisions for compensation, retirement, and performance evaluations, for only a portion of the Federal work force is probably unnecessary and unwise. I believe that such a radical departure from 5 U.S.C. 5303 for potentially large number of employees in a variety of agencies will result in excessive administrative costs, which will not be counter balanced by enhanced recruitment or retention figures.

Last, Senator Quayle's bill, which establishes the Defense Acquisition Service for agencies within the Department of Defense, is a provision that is peculiarly applicable only to the Defense Department. Inasmuch as NTEU does not represent employees in DOD, I will offer no comment on on that bill.

I believe Senator Trible's bill is the better means of correcting recruitment and retention inadequacies because it, with the exception of one major flaw discussed below, offers a special pay rate system that is responsive to the needs of agencies, while avoiding the pitfalls of establishing new personnel systems.

In that regard, S. 1327 amends 5 U.S.C. 5303 in four important aspects. First of all, under S. 1327 the head of the agency initiates all requests for all special rate authorizations, while under the current section 5303 OPM is the mover. Obviously, permitting the adversely affected party to initiate the process will result in a program more responsive to that party's needs.

Second, an agency head may justify special pay rates not only as a means to meet higher pay rates in private enterprise, but for virtually any other appropriate reason. This is a significant expansion upon the current section 5303 and permits an agency head to offer special pay rates to employees to overcome the retention and recruitment problems associated with isolated duty stations and undesirable environmental conditions.

The third significant improvement S. 1327 offers is that the salary cap in the current section 5303(a) has been removed. Obviously, this gives an agency head much greater flexibility to meet the challenge from the private sector.

Last, section 1327 offers the agency head the option of giving bonus payments as an added incentive to recruit candidates. This provision would be especially attractive to young people just out of school who need startup money.

Despite the advantages offered by S. 1327, however, a very serious flaw, present in the current section 5303(d) apparently remains in section 5303(c) of S. 1327. The express language of both provisions appears to grant special rate employees a right to have their pay rates adjusted to coincide with, or be retroactive to, the date of the comparability adjustment for general schedule employees.

However, on September 28, 1982, OPM published a revision in the regulations covering special rates, which provided that adjustment of the pay rates of statutory pay systems will have no effect on special salary schedules and that OPM will review special pay rates annually and determine whether adjustments should be granted. Pursuant to the new regulation, some special rate employees did not have their pay adjusted in October 1982, in accordance with 5 U.S.C. section 5305 and the President's alternative plan.

Clearly, when Congress passed the currect section 5303(d), it intended that special rate employees should, at a minimum, receive the statutory comparability adjustments given to Federal employees under the general schedule.

Given OPM's interpretation, however, it is imperative that Congress make its intention on this issue very clear in the proposed section 5303(c) in S. 1327.

Turning my attention now to S. 1727, as I stated above, I believe that the additional administrative costs incurred in establishing and maintaining alternative personnel systems for only a portion of the Federal work force will outweigh any recruitment or retention advantages present in the system.

S. 1727 covers virtually all Federal scientific and technical employees who have, "an advanced level of knowledge acquired in a prolonged program of specialized intellectual instruction and study in an institution of higher education."

This is potentially a very large group of employees, spanning many agencies. However, the scientific and technical employees will undoubtedly comprise only a portion of each agency. The costs of administering numerous compensation packages, retirement systems and performance evaluation systems could be considerable. The need to establish numerous personnel systems becomes even more apparent when one considers that if the alternative personnel systems are to be truly effective, they must be tailored to meet the needs peculiar to different groups of scientific and technical employees and the needs of the agencies.

In addition to the administrative costs, which will be incurred, I believe this subcommittee must also consider the disincentives to recruitment and retention present in S. 1727.

Section 5604(b)(2) requires the establishment of a performance appraisal system that provides for peer comparison and ranking when considered appropriate by the head of the agency. This method of ranking employees on a bell curve is presently illegal for most Federal employees. Under peer comparison and ranking, even an excellent employee may receive a bad evaluation if he or she happens to be working with a group of outstanding employees.

Another disincentive is the provision in section 5605(c)(1) which establishes a 3-year probationary period. Generally Federal employees serve only 1 year probationary or trial period. Obviously, if the purpose of S. 1727 is to make Federal service more attractive to prospective employees, the above provisions are counterproductive.

In summary, I believe Senator Trible's bill is the better alternative of those being considered by this subcommittee. Assuming the problems with section 5303(c) are addressed, S. 1727 offers the head of an agency more flexibility to meet the private section competition without the pitfalls of establishing numerous alternative personnel systems.

More importantly, however, I very strongly believe that reform is needed not only in the pay of a select group of employees, but for all Federal employees. The compensation package for the entire Federal work force lags over 15 percent behind that enjoyed in the private sector, and retention and recruitment are the problems throughout the entire work force.

Thank you very much, Mr. Chairman.

Senator STEVENS. Thank you, Mr. Tobias.

Mr. Peirce, what do you think about the classification system and how it impacts on recruitment or retention?

Mr. PEIRCE. Well, the classification system, to me, is the root of the problem. We haven't really looked at, reviewed, studied or revised the classification system. Of course, that has been our concern since its inception. Most of the standards are obsolete if you look at them from the standpoint of state of the art systems that would be available.

First of all, you can do whatever you want to as far as comparability pay. But first, of course, you've got to define comparability pay. Unless a career area is placed on the grade scale in its proper place, you're not going to achieve comparability within a career area and I think that's one of our basic problems.

Senator STEVENS. Have you studied the China Lake experiments?

Mr. PEIRCE. Not in detail. We've had a little bit of a problem getting a whole lot of information on it.

Senator STEVENS. We did too. I think we'll hold a hearing out there. Get it right from the horse's mouth.

Mr. PEIRCE. I have received some comments via some of our local people at the Navy missile range. From what I understand, with the employees talking back and forth, there is some dissatisfaction with what is happening with the China Lake project.

Senator STEVENS. We don't hear about that though.

Mr. PEIRCE. No, and we're not hearing too much either because I think they've got the employees pretty well controlled.

Senator STEVENS. What about the concept of locality pay? Do you think we could take the blue collar system and graft it on to the general schedule system with the flexibility of the Trible bill?

Mr. PEIRCE. No, I don't. Locality pay would not solve any of our problems. Let me illustrate. One of the problems percieved is the retention of professional technicians, especially within DOD. I think we're overlooking the fact that the defense industrial establishment throughout this country is not located in any one area. It's located all over the country, and it has a very big impact on the pay of professionals related to the R&D areas and so forth.

I have a brother-in-law, for example. He graduated from college as an electrical engineer and he went to work for Boeing. And since he went to work for Boeing, he's been recruited clear across the country. He's been in five different locations on Government-related work and he's up to a salary now of something like $60,000-plus. Over a period of about 3 years, he's had four different jobs.

This is recruitment of companies clear across the country. It's not on a locality basis. I think that's one of our problems.

Senator STEVENS. I think one of our problems is the Federal Government has really not caught up with the increased mobility of the American people as far as this is concerned.

I appreciate your comments, Mr. Tobias and I understand why you didn't comment upon the Quayle proposal.

Do you think that you have many people in Treasury that would be affected by the special provisions of the Trible bill?

Mr. TOBIAS. Certainly not in the Department of Treasury, but our union also represents people at the Nuclear Regulatory Commission and the Department of Energy, both of whom would have substantial numbers of people covered by—potentially covered by Senator Trible's bill. So, we do have some.

Senator STEVENS. Do you have any questions, Senator?

Senator LEVIN. Yes. I just have one question.

Basically we're going through the same process over in the Armed Services Committee. A number of provisions have been offered there, some of which are going to be referred here, I hope, for a joint analysis by this committee and that one.

But, my question that I am interested in your reaction to has to do with what we should do if we decide to authorize an alternative personnel system. There's a number of approaches possible, but basically they divide into an experiment which would have a system based on skills and an experiment which would be based on organization by organization, regardless of skill, cutting across the skills.

I think all the bills, although I may be wrong, assume it's going to be an alternative personnel system which is based on identified skills—scientists, engineers, acquisition personnel, or what have you.

My understanding of the China Lake experiment—and I'm glad the chairman is going to look directly at that experiment. I think it is important that we see first hand what has been accomplished or not accomplished.

But the China Lake experiment, as I understand it, started off as a skill-by-skill experiment and has gradually moved into an organizationwide alternative personnel system.

My question of you folks is this: If we decide to broaden the experiment or implement the experiment with an alternative personnel system, do you have any preference between a system which is based on skills or a system which is organizationwide?

Mr. TOBIAS. My preference would be definitely, Senator, based on an organization. When I say organization, I would be flexible in defining what that organization would be, but some part of an organization. It's long been my belief that agency heads and certainly their subordinates have been able to escape responsibility for their personnel systems and instead have been able to blame Congress, have been able to blame the Office of Personnel Management for the lack of special rates and all of the problems that are associated with administering a personnel system.

Certainly in the private sector, the head of a corporation administers a personnel system and is responsible for it, but we don't have that in the Government. We have the head of an agency who is divorced, really, from the personnel system. That's run by OPM and the head of that agency can administer it.

I think that when the Congress is considering an experiment, it ought to truly experiment with putting in, with having an agency head being responsible for a personnel system. Devising it, administering it and reporting to Congress on the success or failure of the project that's put into force.

And, I also believe that, as my colleague mentioned in his testimony, the thing that is absent from China Lake is true employee involvement, true employee participation.

We have surveys and we have what is said about people, but we don't have people who have the freedom of speaking collectively in the context of establishing working conditions and I think that Congress ought to allow experiments to occur which would have that happen. You might remember when the Civil Service Reform Act was instituted, we heard an awful lot of testimony from OPM saying we were going to have demonstration projects and we were going to delegate more personnel authority to agency heads.

Well, the only demonstration project we have had is China Lake and we've had no delegation of authority to agency heads.

So, it seems to me that since OPM hasn't acted, that it's time for Congress to set up experiments of its own.

Mr. PEIRCE. First off, several times in testimony already, we have recommended a study commission wherein we create a variety of demonstration projects.

We have a big problem when we start talking about, No. 1, dividing the Federal work force into various classes. It would appear to me that we talk about China Lake, some of these things are regressing. We're going back to the 1920's, or even further back.

I find that most large companies set salaries and so forth in the continental United States. Along with the need for mobility within the Federal work force, you have got to have some standard in order to function and I think that is achievable.

But I think what we need to do—because I think anything else would just be putting Band-Aids on the problems themselves—is to go back to a comprehensive study, a demonstration project, and let's find out, really, what does work. We haven't had anything for too long now that works.

And I think that if we just jump off in different directions—which seems like the way we're headed—we're going to wind up with a fiasco.

Senator **Levin**. In other words, if Congress decides to apply some Band-Aids, you don't have any preference between the organization-wide Band-Aid and the skill Band-Aid?

Mr. **Peirce**. I think it should be organizationwide.

Senator **Levin**. Can you tell us why?

Mr. **Peirce**. Well, mobility for one thing. In addition to that, I think you're going to find within an agency activities competing with activities.

Senator **Levin**. I would point out—I don't know if there has been reference to this morning's Washington Post article or not, but there are some figures that have been given to us on the turnover at the two demonstration labs. One is the China Lake lab. The other one is the Naval Ocean Systems Center in San Diego. There seems to be a difference between the turnover at those two labs. I believe, although we'll find that out directly, that one of those labs was a skill-by-skill approach. That's China Lake. The other lab was organization-wide at San Diego. I notice that the turnover at San Diego is statistically significantly less—at least I think that's safe to say—than it was at China Lake.

Senator **Stevens**. It also may mean more people would rather stay in San Diego than on the desert.

Senator **Levin**. Very definitely, it could be that. On the other hand, having been a desert lover all my life——

Mr. **Peirce**. I think, by the same token, that as far as the China Lake project, this was a conceived project for a unique situation and I have a problem of making an analogy with any other activity across the country.

Senator **Levin**. I thank the chairman.

Senator **Stevens**. Thank you, Senator.

Senator Gore, do you have any questions?

Senator **Gore**. Mr. Chairman, I came in late so I won't take time for questions now. I also had a Commerce Committee meeting this morning. I apologize to the witnesses for not being here for the whole presentation and the earlier panels, but I will review it carefully.

I welcome the announcement that was covered in the newspaper this morning, as noted by my colleague from Michigan. I think it probably helps advance the outcome that several of us have been working for. But I will submit some questions in writing, Mr. Chairman, rather than take the committee's time.

Senator STEVENS. Thank you, Senator. Thank you, gentlemen.

Mr. TOBIAS. Thank you very much, Senator.

Mr. PEIRCE. Thank you, Senator.

Senator STEVENS. Our next witness is Mr. Martin Duggan, Chairman of the Advisory Committee on Federal Pay, accompanied by Lucretia Tanner.

TESTIMONY OF MARTIN L. DUGGAN,[1] CHAIRMAN, ADVISORY COMMITTEE ON FEDERAL PAY, ACCOMPANIED BY LUCRETIA TANNER, EXECUTIVE DIRECTOR, ADVISORY COMMITTEE ON FEDERAL PAY

Mr. DUGGAN. Good morning, Mr. Chairman.

Senator STEVENS. Good morning.

Mr. DUGGAN. And thank you.

Senator STEVENS. I think we would like to have some questions about your committee. Would you provide us, for the record, a copy of the members of your committee and how they're appointed? [2]

Mr. DUGGAN. Yes, we certainly shall.

Senator, for the benefit of those who may not be familiar with our committee, there are three members appointed by the President to 6-year terms at staggered intervals. I have had the honor of being Chairman since May 1984. Mr. Frank Zarb, whose name may be familiar to many of you, a former Government official, is a member. His term extends until 1988. We're awaiting the appointment of a new member, presently because the term of Miss Eva Robins expired in January of this year. She's on hold until a successor is appointed.

I would like. to thank the witnesses who have gone before me for the quality of their testimony and in order to be brief, I would say simply that since the objective of our committee is to be fair and to attempt to represent a public interest in matters concerning. Federal pay, I was impressed by the quality of their remarks and certainly would find myself in agreement with all of them on certain aspects of what they said.

And to avoid being repetitive, since figures were cited as to the comparability pay gap and other matters of concern, I will accept these statements as being fair and relevant.

Miss Kleeman cited certain things which were important to us and are in my prepared testimony regarding statistical data and so on.

We believe that all the bills before you are related to the way that the Federal Pay Comparability Act is operated and we're concerned as to the approach that is being used.

We understand there is a general frustration with the current system and it appears to us, as it has to other witnesses, that the approach offered in the bills before you appear to be trying to correct only the most visible and critical problem areas first. Senator Trible's bill, for instance, to amend title V, United States Code, to modify the authority under which higher rates of pay may be established in geographic areas, where the Federal Government is experiencing significant recruitment or retention problems, and for other purposes.

---

[1] See p. 297 for Mr. Duggan's prepared statement and p. 305 for responses to written questions submitted by Senator Gore.

[2] See p. 306.

There currently exists, under section 5303, title V, United States Code, authority for the President to establish special rates when private sector pay rates are so substantially above the statutory pay limits that the Government's ability to recruit and retain well qualified persons is handicapped.

Miss Kleeman has offered figures to show how the use of special pay rates is increasing and those figures are part of our report.

Now, we understand that OPM's list of special pay rates shows that most are in engineering and health care organizations, however, there are notable exceptions.

For example, all clerical occupations in your State of Alaska, Mr. Chairman, require special rates and clerical occupations in other areas are also under the special rate program.

In addition, the employees in Alaska receive a special cost of living allowance. We fear, as some others have this morning, that the expansion of special rate authority could create a bad scenario meaning, in effect, that Federal rates for the same job could differ between agencies, within agencies, and even in the same building.

The example of clerical workers is valid. Approximately one quarter of the 1.4 million white-collar workers, who are the concern of the advisory committee on Federal pay basically, are in secretarial positions.

Clerical workers have had a higher turnover rate among all occupational groups with rates twice that for all groups, 12.4 percent versus 6.8 percent, according to a CBO study, "Employee Turnover in the Federal Government," dated February of this year.

In the first 5 years, their turnover rate is 19.5 percent. Based on the already known fact that some clerical workers are under special rates and that many agencies are experiencing high turnover, it is highly likely that the agency would be competing against themselves for the most capable person.

As an alternative to this approach, the Advisory Committee recommends that the General Schedule be split so that employees recruited in a local area be paid wages prevailing in that area. This recommendation, as you well know, is not new. It's been stated by commissions and in boards studying Federal pay issues for decades.

Senator **Stevens**. Would you explain to us what you mean by the general pay schedule being split?

Mr. **Duggan**. Well, it means simply that there would be a provision for locality pay.

Senator **Stevens**. You mean a separate locality pay concept engrafted on the general pay schedule would apply to people hired from the local area?

Mr. **Duggan**. Is that what——

Ms. **Tanner**. Senator, if I just might add a footnote on Mr. Duggan's explanation.

I think in the general term, the General Schedule splitting means that for those occupations recruited on a local basis would be paid a prevailing rate. For those occupations such as engineers and scientists, and those in these occupations—professional, technical, would remain under the General Schedule and be paid under the general schedule on a national basis.

Senator STEVENS. Suppose I'm a legal secretary and I'm hired in Anchorage, paid on a comparable scale to the private sector legal secretaries and I am offered a job in Washington to be a legal secretary in the Department of Justice. Would I get comparability pay in both areas?

Ms. TANNER. If you're moving from one location to another, you would be receiving the wage rate in that particular location.

Senator STEVENS. What you're really saying is you want us to define certain jobs where the prevailing practice is to hire locally?

Mr. DUGGAN. Exactly.

Senator STEVENS. And they would be based on locality pay. The other occupations where there is greater mobility on would be paid an overall schedule basis, is that right?

Ms. TANNER. Yes, sir.

Senator STEVENS. And you would engraft the Trible approach or the concept of discretion within that schedule as suggested by Senator Trible or the China Lake concept, on the General Schedule, is that right?

Ms. TANNER. We understand Senator Trible's bill to give greater latitude to each agency to establish specific rates.

Senator STEVENS. Your proposal would apply only to the General Schedule, right? Locality pay would be locality pay for those hired locally. The others would be a General Schedule with flexibility in it, is that what you're saying?

Ms. TANNER. That's correct. But each agency would be paying the same rate within a locality for those occupations recruited on a local basis and all agencies would be paying the same rate for those recruited on a nationwide basis.

Senator STEVENS. I didn't mean to interrupt—I'm sorry to interrupt you, but I am intrigued by the suggestion of your concept. We're looking for some concept to fit these bills together. It appears that might work, if I understand it. We'll be glad to pursue it further. Proceed. I'm sorry to interrupt you.

Mr. DUGGAN. The reason we have laid such emphasis on locality pay, Senator, is to disabuse people of the idea that Federal workers are overpaid and underworked in areas beyond this Washington, DC, area. I am speaking now, not giving my own view, but I am relaying to you and those present that this is a general perception which we feel the adoption of locality pay—and I understand the objection to it in the work force—but adoption of locality pay would be an important first step toward reform of the Comparability Pay Act, selling it to the general public.

There is not a general concern among the citizenry that the Pay Comparability Act is a top priority and we would like to help make it one.

Senator Bingaman's bill, S. 1727 which authorizes an alternative personnel management system for scientific and technical employees, we ask the question, is it necessary to enact legislation to create special provisions for engineers and scientists? Can and shouldn't their needs be met with existing legislation?

Senator Quayle's bill, which would establish a Defense Acquisition Service of 10,000 civilian positions and limit employment contacts between senior officials of the Department of Defense and contractors.

The matter of a special acquisition group and the need to prohibit defense employees from working for defense contractors are issues we feel are outside the scope of the Advisory Committee's mandate.

We can comment on the pay portions of the bill. We believe that the special pay provisions are motivated by the need to adequately compensate Federal workers performing important functions. In the past few years, there has been a splintering of types of pay plans from the General Schedule to Senior Executive Service, merit pay plans for manager and pay for performance for all workers that became effective this month.

Further splintering and applying bandages to the current system may not be a sound long term solution or in the best interest of the Government or the public. While we sympathize with the special group singled out, we have concerns for the entire Federal work force and the integrity of a system that is equitable, fair, and enduring.

We believe that in the long run, locality pay, a range of increases by grade and full comparability of pay and benefits will provide both the Government with an equitable system and adequate compensation for its employees.

Thank you, Mr. Chairman for inviting us to be present.

Senator **STEVENS**. How often do you make recommendations as an advisory committee?

Mr. **DUGGAN**. We're charged to make an annual report to the President and we do that.

Senator **STEVENS**. And you're not the group that makes the Quadrennial Commission report?

Mr. **DUGGAN**. No, sir; we are not. However, I have been invited to testify before the Quadrennial Commission and I did so in the spring of last year.

I am on record as having said in testimony before other committees of Congress, I volunteered my view on executive pay and generally stated that I am in sympathy with people who feel they are underpaid at the top level of Government.

Senator **STEVENS**. I wouldn't want anyone to hold their breath until we chanqe it.

Mr. **DUGGAN**. Sir.

Senator **STEVENS**. I said I wouldn't want anyone to hold their breath until we change it, but I agree with you.

Mr. **DUGGAN**. I know I haven't detected any bulging cheeks by any Member of Congress on that subject.

Senator **STEVENS**. There's real opposition to any major changes at the Federal level right now.

You have documented and others have documented this clerical problem, the problem of turnovers. Do you think that's really attributable to a lack of locality pay?

Mr. **DUGGAN**. No. I don't think that the turnover is attributable to lack of locality pay. My view of locality pay might be a negative in some people's mind.

Senator **STEVENS**. I think it might. In some instances there's no question that the Federal Government is paying more in some communities than the private sector is paying for the same jobs.

Mr. **DUGGAN**. Yes, sir.

Senator STEVENS. But the turnover remains high in those jobs nationally. Have you looked at the correlation between locality pay and turnover?

Mr. DUGGAN. Well, I can't account for the rapid turnover in those positions. I was merely citing as an illustration that while we're concerned about scientists and professionals, the turnover rate or the lack of availability, of skilled people or the turnover rate among people who are not regarded as technical is so high that comparisons may be alarming.

Senator STEVENS. If I understand your concept, and correct me if I'm wrong, of the split in the general schedule—the current general schedule—you would envision having a determination made by each agency of those catagories of employees which generally are hired locally by that agency and then they would be paid a locality pay, is that correct?

Mr. DUGGAN. No. What we mean to say is that the determination would be made by OPM, not by agency individuals.

Senator STEVENS. You would have OPM determine nationally the type of employees that would normally be hired by the Federal Government locally and those would be put into a locality pay concept so that when the Federal Government hired locally, they would pay wages that would be comparable to the private sector in those particular catagories. For the balance, you would create a national schedule in which there would be built in some of the discretions, some of the ability to vary pay schedules as suggested by Senator Trible. Is that right? You would have a national schedule with greater flexibility?

Mr. DUGGAN. If I have confused the issue by using the word, "split," first of all——

Senator STEVENS. I'm trying to figure out the split.

Mr. DUGGAN. I apologize. My basic concern, and I really should simplify this for purposes of understanding, is that prevailing wages for jobs such as clerical positions be paid according to locality.

As for instance, there is——

Senator STEVENS. I get that all right. What I would like to know is how do you determine how you set the pay for the balance of the work force and what is that force in your opinion? Is it technicians? Is it professionals? Is it scientists only or could it be a blend under this concept? Would you suggest we define certain occupations which would be paid on a national basis under similar concepts to the general schedule?

Mr. DUGGAN. I would suggest that these are questions that could be explored, perhaps in demonstration projects. Like you, we want to know more about China Lake and more about today's announcement.

Senator STEVENS. Well, I suggested to OPM my State's major city as an area for locality pay project. It was not pursued and I am sure the Federal employees in my State are pleased now that it wasn't with the recession that's going on up there due to the current decline in oil prices and the surplus of people that are available in the private sector.

The locality pay problem is one that is affected by such changes. Houston, New Orleans, San Pedro right now wouldn't exactly be the place to be if you're a Federal employee under a locality pay concept. Would you agree with that?

Mr. **Duggan**. You mean if I were to be a new hire in those areas?

Senator **Stevens**. The pay in the private sector is dropping off the wall because there is such a surplus of people. The oil industry is letting go so many people, across the board, clerical and supervisory and I just don't think the concept of locality pay would work in circumstances where there is great change that would not be felt by the Government, but was being felt in the private sector.

Ms. **Tanner**. May I add a word, Senator Stevens?

Senator **Stevens**. Certainly.

Ms. **Tanner**. I think that is part of the problem of the buildup of resentment against Federal workers if, in fact, they are insulated from local economic conditions. This could also apply in Detroit or some of the other cities that have experienced downturns in the economy.

I think if, in fact, they are insulated, and their pay is not adjusted in relation to the local economy, this again, builds up the resentment against the Federal work force.

That's one aspect of the locality pay that could be considered, but I think details could be looked at in demonstration projects. We could also go back before 1949 when we merged diverse occupations into the General Schedule; we could take a look at that experience as well.

Senator **Stevens**. As I understand the administration's proposal that is coming to us it will expand some performance pay systems.

If that is the judgment of Congress that we should do that, I think we should also institute the test on locality pay and mandate them because it seems to me that it's time we got some diversity in these tests and not follow the same general approach in each test.

But the paper this morning indicates that tests within the same concept have produced dramatically different results.

Well, we're still in the testing period as far as I'm concerned.

I appreciate your courtesy. We're looking forward to see what your commission report will be to the President this year. You know, we have changed the Quadrennial Commission so that it now reports in the quadrennial that occurs in the middle of a Presidential term rather than at the end of the Presidential term. I think that will be very important to see what happens the first time this occurs in the middle of a term.

Mr. **Duggan**. Thank you, Senator.

Senator **Stevens**. Thank you very much.

As I said at the beginning, our next hearing on this subject is May 14. The subcommittee is now recessed.

[Whereupon, at 11:27 a.m., the subcommittee recessed until Wednesday, May 14, 1986.]

ALTERNATIVE PAY SYSTEMS IN THE FEDERAL GOVERNMENT

WEDNESDAY, MAY 14, 1986

U.S. SENATE,
SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE AND GENERAL SERVICES,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to adjournment, at 10:10 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens, Levin, and Gore.

Senator **STEVENS**. The subcommittee will come to order.

This is our third hearing on the subject of special pay bills that are pending before the subcommittee.

Our first witness this morning is the Director of the Office of Personnel Management, Hon. Constance J. Horner. Glad to have you with us, Connie.

I might state to all concerned that this is going to be a rather difficult day. The Senate is in session. We are voting on the floor and in another committee that I am on. I just had to leave one that I have been attending and Senator Gore will be here a little while later to chair a portion of this hearing. We want to get this done so we can move to the legislation. So, we are happy to have you.

TESTIMONY OF CONSTANCE HORNER, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY KATHLEEN CONNELLY, CHIEF, RESEARCH AND DEMONSTRATION STAFF

Mrs. **HORNER**. Thank you very much, Mr. Chairman. I am happy to be here.

I have with me, for technical assistance, if any is needed, Kathy Connelly who is the Chief of our research and demonstration staff at OPM.

You have asked me to comment on the administration's views on 3 bills, S. 1327, S. 1727, and S. 2082. I would like to, if I may, make a summary of my comments and submit the official statement for the record.[1]

Senator **STEVENS**. Thank you. So ordered.

Mrs. **HORNER**. I am afraid it's not a very short summary, but I'll do my best.

---

[1] See p. 308.

These bills testify to the fact that the Government's personnel system is broadly perceived not to be working as it should be. These and others under consideration, I think, testify to a widespread belief that the personnel system has become so complex that it is in danger of falling of its own weight.

It is my personal observation that it's stymieing the sometimes heroic efforts of Federal managers to get done the jobs that the people are asking them to get done. It is forcing managers and employees alike to waste extraordinary amounts of time on the personnel system itself, on getting the hiring done and the paying and the promoting and the locating rather than on substantive work.

Because of this waste of human effort, the President will propose an alternative to the current system. First, however, as you have asked, I would like, briefly, to discuss the administration's views regarding the bills before the subcommittee.

S. 1327 proposes a broadening of the special rate authority in order to improve the Government's ability to recruit and retain well-qualified employees in hard to fill occupations.

We agree there is a need to broaden the special rate authority. However, a broadening of the special rate authority alone, at best, should be regarded as a stopgap measure to be used until agencies are provided with more flexibility to recruit and retain a quality work force.

S. 1727 and S. 2082 both propose the establishment of alternative personnel systems for specific occupational groups.

While we have some objections to specific provisions of these bills, our chief concern is with the danger that they would begin the proliferation of piecemeal alternative personnel systems with no adequate cost containment mechanism. The proliferation of such piecemeal alternative systems could very well lead to interagency competition for valuable employees, declining morale for employees left out of the new systems, and an attendant loss of personnel management integrity and control.

We believe that the centrally administered alternative personnel system that will be set forth in our legislative proposal would be a better approach.

Mr. Chairman, in the last few weeks we have seen what may turn out to be an historic move toward tax simplification for the American people. The President has wanted simplification of all the structures that the American people have to deal with in the course of getting the work of Government done in order to make Government accessible and make the workers in Government accountable and able to deliver and that is why the President will propose legislation to simplify our 100-year-old Civil Service System through a gradual, incremental, orderly, and cost neutral expansion of what is called the China Lake experiment.

I believe that this is not a partisan issue. The China Lake experiment was made possible by the Civil Service Reform Act which was developed under President Carter and as you know, there are bills being discussed on both sides of the aisle and in both Houses right now to try to rectify the problems in the system that we now have.

The China Lake system simplifies the cumbersome 18 grade GS System by substituting broad pay bands which provide managerial flexibility.

OPM, other observers, the managers who operate the system and the employees who are under the system, believe the China Lake system's flexibility has resulted in several distinct advantages. The system is somewhat market sensitive. It allows competition for quality personnel in hard to fill occupations or locations.

The system is performance oriented, allowing the linkage of pay to performance to an extent not possible under the current system.

It is administratively simple, greatly reducing the effort and costs associated with Federal personnel management.

We have had evaluations of the project by OPM and others since its inception in 1980. These evaluations clearly indicate strong improvement over the General Schedule System, which is not to say that there is nothing but improvement. All systems are subject to error and flaw and I would not want to overstate the case here.

Therefore the administration proposal would provide the legal authority for a Governmentwide extension of this alternative personnel system whose chief features would be pay banding, simplified classification, more pay for performance, and market sensitivity OPM would permit agency by agency adoption of the new system over a period of time with careful monitoring to insure compliance with the goals of the legislation and cost neutrality.

Because of the incremental nature of the proposed expansion, we recognize some immediate relief is needed for those agencies which remain under the General Schedule for the time being and which experience difficulties in recruiting or retaining employees in hard to fill occupations.

Therefore, OPM will be proposing, as part of the legislation for the new system, changes to the special rate authority under the General Schedule.

Mr. Chairman, we believe the new system will provide an epochal reform of civil service which will restore the ability of Federal managers to manage and make it possible for motivated employees to perform to their fullest potential.

Under this system, the Federal worker who does a good job will get promoted, will get paid better, know what is expected, and will no longer be a passive participant engaged in paper actions that control his life.

We look forward very much to working with the subcommittee in trying to accomplish these needed changes. I thank you for this opportunity to appear and will be pleased to answer any questions you have.

Senator **STEVENS**. Thank you very much. I am pleased to see that the administration is formulating a new policy with regard to these bills.

I have got to ask you, the tests that have been conducted so far, the China Lake-type test have been very limited really. Are you prepared to draw from that limited experience and tell us that we now should go to a new governmentwide personnel system?

Mrs. **HORNER**. Mr. Chairman, the experiment is limited in that it has been conducted in fullest form at only two locations.

However, the basis for the experiment is a series of criticisms and proposals that have been long under discussion within the executive and legislative branches.

For instance, pay-for-performance is a component of the experiment. We don't rely purely on China Lake and NOSC at San Diego as evidence of the value of pay for performance. We know it is valuable from our own experience using it in other parts of the Government and from our knowledge of human nature.

Senator STEVENS. Where else has it been used?

Mrs. HORNER. Well, it has been used, for instance, for bonuses in the SES system. It hasn't been used in precisely the same form.

Senator STEVENS. But it has been tried in two isolated military systems, a portion of the civilian branch of the military of the Department of Defense?

Mrs. HORNER. Yes.

Senator STEVENS. I am supportive of it, but I wonder if we're able to draw the conclusions that people want us to draw from those two experiments. I haven't seen it work in the BLM, in the Social Security System, we haven't had the kind of experimentation in other areas.

One of them was on the desert and the other was in a military town, where a substantial portion of the community is related to the civilian branch of the Department of Defense.

I wonder if this kind of results that we have got from China Lake and San Diego can be extracted and assumed to be applicable nationwide.

Mrs. HORNER. I think the answer is yes, although I recognize the necessity for caution here and that is why we are planning to move, if approved by the Congress, incrementally and carefully and observe what happens as we go forward.

Senator STEVENS. Why don't you just institute some additional tests that are authorized under the 1978 act?

Mrs. HORNER. Well, Mr. Chairman, we do have a number of additional tests that are in the works right now. I think about 15 have been proposed in the last year and a half. So, we are looking at additional tests in conjunction with it.

But, we have a high degree of confidence that the critique that this test implies, of the General Schedule System, the classification system, the pay system, is very sound and that the differences among Federal managers, Governmentwide, although there are obviously some, are not such as to cause us to think that only a very special group of people, that is people who are in the Navy or people who are R&D people, can cope with an improved system.

We think it is an improvement and we have confidence that Federal managers, with some training, can rise to the occasion and want to.

I recognize there is some act of faith involved here, but the alternative is very, very protracted delay and no improvement.

Senator STEVENS. You know, we sit here under a budget crunch. I am also involved in the Appropriations Committee and neither of those experiments were cost neutral. You put that into the Government as a whole, it raises the implication that somehow or other we're going to increase the amount of money available for employee costs as far as the civilian sector is concerned, literally across the board now.

Has anyone figured out how much an increase that would take if all of the experiments were let across the whole civilian sector of the Federal employment?

Mrs. **Horner**. It would be, if we used the experiment as the basis, about 1 percent a year increase, which would be quite unacceptable.

Senator **Stevens**. Well, I saw 5 percent.

Mrs. **Horner**. Five percent over a 5-year period. That arose as a result of a 1-percent-a-year increment increase.

The cost increases at the experiment came from 2 controllable factors. One was that the employees were brought into the system by being granted within-grade increases they otherwise would have gotten, as well as the increment they got for performance so that no one suffered the first year of the experiment, no one suffered a loss of pay he or she would have otherwise gotten.

And, second, we were dealing, as you pointed out, with a specialized community, scientists and engineers, who are in highly competitive occupations. There are other occupations, Government-wide, where it is quite likely that if we applied these conditions, the cost of these occupations would drop. Scientists and engineers are the likely candidates for an increase.

We are very determined that there be, you know, no additional costs in doing this, but that distinctions be made between people who are really trying to get the Government's work done and people who are trying less hard to get the Government's work done.

People often say, do we pay Federal employees too much or too little. The answer is both. Some get too much, some get too little, and a lot get just the right amount.

Senator **Stevens**. Well, I'm sympathetic to that, but at the same time, I don't think this subcommittee wants to see a new pay system paid for at the expense of those people who are in the career administrative sector. There is an increasing cost for professional scientific, and engineering, people. We have to pan that cost in order to keep those people in the Federal service, but to do so by setting up a system which would, in effect, place the burden for those increased costs on those performing administrative or non-scientific professional or technical work, I think would be wrong. And, it appears that that may be the circumstances.

We intend to hold hearings at China Lake. I have announced that. We're going to go out and hold hearings as I have the opinion that there are people out there that have not been heard yet in terms of how they view this. We want to hear from the people out there across the board. Maybe we'll go to San Diego too, although I'm not sure about that. It's a matter of time, but I do think that we have to move forward.

I believe that with the workload that we have before us, to take on the task of establishing a whole new Federal compensation system, may be beyond our capabilities in this year. It may be next year before we can do it. If that's the case, then I don't know why you don't start some more experiments.

Mrs. **Horner**. We continue to approve experiments at this time.

Senator **Stevens**. I mean major experiments. How about the Social Security Administration? How about some major system?

You have the authority, under the existing law, to take a whole department and put them under this, if you want to do it.

Mrs. HORNER. Mr. Chairman, may I ask Kathy Connelly, our Chief of research and demonstration, to speak to that?

Senator STEVENS. Wait a minute, pardon me. It would be limited to 5,000 in each unit, but you could work it out.

Mrs. HORNER. Well, we will continue to entertain suggestions from agencies and perhaps work with them along the lines you suggest.

Senator STEVENS. Tell me this. We want to do something to meet the problems. Would you envision enactment of either or any of these bills we've got pending before us now, as a stopgap attempt to meet the recruitment and retention problems in the scientific and technological areas?

Mrs. HORNER. Yes, Mr. Chairman. Although I sympathize with and understand the motive that underlies these suggestions, I think that we are in some danger of fragmenting the Government and that would be a chaotic and untenable situation, fragmenting pay. I think that would have very adverse consequences.

Senator STEVENS. I'm inclined to agree with that in terms of what we might do with these bills but I understand there's a substantial possibility that the Armed Services Committee will proceed with the Department of Defense bill without regard to what we do, dealing with scientists and engineers in the Department of the Defense.

Have you appeared before that committee yet?

Mrs. HORNER. No; I have not.

Senator STEVENS. Have you looked into the relationship of locality pay to this concept we're talking about in terms of management flexibility and control of salaries?

Mrs. HORNER. Yes, Senator. There is a relationship in that for those who are entering Federal service, there is the opportunity for Federal managers to offer pay at rates that are closer to the market rates. Now market rates imply going rates in localities. It's not the same as what you mean by locality pay which presumably would be identifying localities nationwide and setting pay rates centrally for them, but it does afford the opportunity to make a connection with what the going rate is in a locality, which saves the taxpayer money. You get a good Federal worker at the minimum price required for available workers in that area.

Senator STEVENS. Was there much collective bargaining involved at China Lake?

Mrs. HORNER. No; there was not. China Lake is very lightly unionized; however, there was extensive employee involvement from the outset through committees and very close working relationships between those who were involved in the demonstration—managers, personnel people and employees—to insure, as needs to be the case, that Federal employees participate in the development.

Senator STEVENS. Have you thought about trying the experiment at an area that had heavy representation of employees through the union organizations, to see what would happen to this concept where there is extensive collective bargaining?

Mrs. HORNER. May I ask Ms. Connelly to respond to that?

Senator STEVENS. Yes, please. We would be happy to have you respond.

Ms. CONNELLY. We have attempted to have demonstrations in other agencies that were unionized. OPM has encouraged this, but the agencies themselves had trouble agreeing to the purposes and goals of the demonstration projects, and therefore, they have not been submitted formally.

We have one other demonstration project that has been approved in a very heavily unionized environment and that would allow for pay bands. That's at McClellan Air Force Base.

Senator STEVENS. Again, Department of Defense?

Ms. CONNELLY. That's right.

Mrs. HORNER. Mr. Chairman, I was at McClellan Air Force Base earlier this year and talked with the union representative there who was quite excited about the prospect of the demonstration there. That's only one union on one base, I know.

Senator STEVENS. I see no incompatability, but until it is demonstrated to be the case, I think there's going to be a suspicion that this would not work in a collective-bargaining environment. Do you agree with that?

Mrs. HORNER. I don't see why it shouldn't It's in the interest of Federal employees and union leadership recognizes what those interests are. There's nothing more demoralizing than a Federal employee who works his or her heart out and gets no further recognition or reward than people who aren't making that kind of effort.

I think Federal employees want something like this and I think, therefore, union leadership will, over time, in spite of the seniority interest involved in any membership, come to recognize that side of the concerns of their membership.

Senator STEVENS. But doesn't success of this kind of an experiment depend upon continuity of management? I mean, if you had a situation where the management—the supervisors—are changing at an excessive rate, you're going to have each new broom wanting to sweep clean, aren't you?

Mrs. HORNER. Well, each new broom wouldn't really be able to sweep clean. The best the broom could do would be not to grant a pay increase if the evaluation of the employee's performance was that it wasn't satisfactory.

Senator STEVENS. Well, I understood it would be an evolving system, in terms of the expansion of the concept throughout each entity——

Mrs. HORNER. I see what you mean.

Senator STEVENS [continuing]. And as such, it would depend upon the manager how far it would evolve or how narrow it would be restricted. Isn't that the case?

Mrs. HORNER. That is the case procedurally, but the expectation is for evolution to Governmentwide use of the system and if you have a new Cabinet Secretary, I don't think there would be any going back. It would only be a slower adoption, or conceivably no adoption, but I think the pressures will develop for adoption because, I think people are satisfied with the design.

Senator STEVENS. I share the administration's feeling that the area of civilian employment is too structured and it has too many disincentives to career decisions at the appropriate time.

I think that the real question that we have to look at is what we can do to change this system so that we can assure people who are reaching that career decision threshold, that they can determine what their opportunities are and the limits of their participation within the system early enough to make the correct decision.

I am alarmed at the number of people who are leaving before that career decision—the exodus from the Federal service. I think we're in a highly competitive area. We tried with the retirement bill—and we thank you for your great help in that area—to assure that there is a potential for mobility, not only out but back into the Federal Government. I think many people have missed the fact that many people can go out and come back in with the mobility that was previously lacking.

I do hope that as we look at this whole subject, we keep in mind the problem of the career decision. By the way we haven't received your bill yet.

Mrs. HORNER. No, it's under review.

Senator STEVENS. Any idea when we would get that? I'm not pressuring you, just from a time point of view?

Mrs. HORNER. My hope is that it will be ready very shortly. Its implications are so broad that it's not a matter of clearance with only one or two agencies. Obviously it has Governmentwide implications so that will take a little bit longer.

I would hesitate, with my former colleagues at OMB here in the audience, to speculate on exactly how long.

Senator STEVENS. My good friend is here to chair the meeting, so I can go answer some questions and hopefully get a bill out of another committee, you may have some questions for Mrs. Horner. I don't know whether you do or not.

Connie has presented the position of the administration, Senator Gore, and we will await the bill that you have indicated would be forthcoming and hopefully we can start having some sessions to see what we can do to get a general acceptance of the concept.

I will be in touch with you about trying to schedule some hearings and see if we can get some people to go to China Lake at an appropriate time. I would welcome your people to come along with us if you would like to do so.

Mrs. HORNER. I would be delighted. Thank you very much.

Senator STEVENS. If you'll excuse me and I know my good friend Ken Blaylock is next, so Ken, I'm sorry, I'll be back as soon as I can.

Senator GORE. I do have a few questions. I apologize for being late. I had another committee meeting that I couldn't get out of and if I cover ground that you have covered before, please just tell me and we'll move on.

Working with David Packard, Senator Bingaman and I have moved on a bill in this area. We have advocated some ideas and we have stated that we see S. 1727 as a starting place from which an alterante personnel system can be expanded later to cover all Federal employees. I have a letter from you to Ms. Claire Freeman of DOD dated February 5 of this year in which you say and I quote, "The Navy demonstration has proven that career civil service line managers are capable of handling that responsibility well in a high technology world of scientists and engineers. We must demonstrate that other civilian managers, under different conditions, are equally capable."

Why then can't we proceed to cover those occupations that truly need immediate coverage and expand the system as OPM becomes assured that other occupational groups are ready for it?

Mrs. **Horner**. Senator, in order to solve the problem which you have correctly, I think, identified, we are proposing additional flexibility in special pay rates. These flexibilities would, I think, quite markedly increase the amount of money available to cope with shortages in certain occupations.

The reason we propose this method rather than the occupation by occupation method, incorporated in your bill, is that it is our concern that there would be a fragmentation of the civil service pay system, not an orderly implementation, but a fragmentation based on what may be, in fact, time related shortages which may occur for a year or two and may dissipate and may arise in certain other occupations and then may dissipate there, too.

We're also concerned with the possibility of competition between agencies for particular Federal employees. So we think that the combination of expanding the China Lake proposal Governmentwide in an orderly way, with the availability in the near term of extended special pay rates, should take care of that problem.

Senator **Gore**. Where is the money going to come from to do it across the board?

Mrs. **Horner**. We are requiring, as a precondition for implementation, that the cost not be increased by adoption of this system, that the legislation will include a specific provision requiring a cost-neutral adoption.

The money comes from the commonsense approach of paying those people who work harder and do a better job somewhat more, and paying the people who are indifferent to their work relatively less.

In other words, we answer the question we often hear, are Federal employees paid too much or too little, by saying, some of each and we're going to try to make the distinction.

Senator **Gore**. In your testimony, you give the impression that you believe S. 1727 gives an agency too much authority, however, in our view, S. 1727 specifically grants OPM the authority to prescribe regulations regarding the requirements for any proposed alternative management system. OPM is also given the authority to issue regulations which would limit the costs of an alternative personnel management system.

Given the specific grants authority to OPM, what further authority do you feel is necessary?

Mrs. **Horner**. The grants of authority are premised on the expectation embodied in the bill that the agency will have decisionmaking authority with OPM having only a possibility for review and rejection within a limited period of time. That reverses the current situation where an agency must petition OPM and will not get a special pay rate until OPM concurs.

The reason it is advisable to have the current regime remain in place, I think, is a simple one of human nature.

Agency heads are subjected to a great deal of political pressure to raise pay, even for occupations which may not be in a shortage category, but which may be well organized politically. OPM stands as the central management agency to deter decisionmaking on that basis.

If an agency head makes the initial decision subject only to review under whatever regulatory regime, we are then confronted with a situation where a big political head of steam gets built and the bias is for a positive decision.

Senator GORE. Well, we just have a disagreement about that and we'll look forward to seeing your version of how it could be worked out.

Let me move on, we'll continue that debate another time.

There has also been a debate over the manner in which we should proceed and I referred to this earlier. OPM prefers to implement the system agency by agency rather than skill by skill, is that correct?

Mrs. HORNER. That's correct.

Senator GORE. Now, it's been argued that Government agencies would be competing with each other if the system is implemented agency by agency. You mentioned that as a concern earlier, but it seems to me that you're creating that problem.

For example, if DOD was initially covered, then they would be in a position to lure employees from NASA. Do you agree with that or not?

Mrs. HORNER. I do have to believe that an agency, under the new system, would be very attractive to Federal employees and, yes, it's possible that could happen.

However, it is worth it to try it, to run the risk, where as in the other situation, it is my judgment that there isn't much to gain because we're talking there about only a narrow solution to a specific problem rather than a systemic change.

Senator GORE. At our first hearing on these bills, Senator Bingaman read a letter from a member of the Virginia Society of Professional Engineers which detailed a very disturbing situation.

Due to problems with OPM's classification system, people are being hired for jobs for which they are not qualified. Do you believe that this is a systemic problem and if so, is it possible to correct it without legislation?

Mrs. HORNER. That, Senator, is a huge question, requiring a voluminous answer. However, I think that there are systemic problems that require systemic answers. I don't know of the specific case that this person refers to.

It's impossible to say, with any high confidence, what the system is producing because of its complexity. If we simplify it, we'll have some accountability, we'll know what it is producing, we'll see it.

Senator GORE. Well, all right. I look forward to continuing our work together and thank you very much for kicking it off this morning.

Mrs. HORNER. Thank you, Senator.

Senator GORE. I would like to call our next panel to the table. It will consist of Ken Blaylock, president of the American Federation of Government Employees; Ed Murphy, legislative counsel, for the National Association of Government Employees and Ralph McElfresh, international vice president with the International Federation of Professional and Technical Engineers, accompanied by

Jerry Cox, president of the NASA Council of IFPTE from Huntsville, AL.

All right, we're delighted to have all of you here today and Ken Blaylock, we will start with you. As always, it's a great honor and privilege to have you here before this committee. A real leader and even a statesman on many of these issues, we're delighted to have the chance to work with you. So, please proceed.

TESTIMONY OF KENNETH T. BLAYLOCK,[1] PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; EDWARD S. MURPHY,[2] LEGISLATIVE COUNSEL, NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES; RALPH J. McELFRESH, JR., VICE PRESIDENT, INTERNATIONAL FEDERATION OF PROFESSIONAL AND TECHNICAL ENGINEERS; AND JERRY W. COX, PRESIDENT, NASA COUNCIL OF IFPTE LOCALS

Mr. BLAYLOCK. Thank you very much, Mr. Chairman and I too am delighted to appear here today before the committee and we do appreciate the committee's interest and concern in this matter.

Today you are considering three bills, each provide for a special pay or personnel system applicable only to a few select groups of employees.

S. 1727 covers the Federal scientific and technical personnel; S. 2082 covers DOD, Department of Defense personnel involved in acquisition programs; and S. 1327 focuses on special pay rates designed to address recruitment problems faced by specific agencies in certain geographic areas.

Mr. Chairman, these three bills are really a part of a series of special interest pay personnel bills which have recently been introduced in both the House and the Senate and it is our contention that this recent spat of legislation is a direct result of the breakdown in the current pay setting process and just to put it as bluntly as I know how, the comparability system has been aborted since 1977 by two administrations and by the Congress and what is happening today, in the recruitment and retention problem of qualified, capable, Federal workers, is the chickens coming home to roost.

We have artificially capped the comparability pay lines and later in my testimony, in my general testimony, we have some charts that show you, if you were paid the unrestricted pay line, you wouldn't need special rates for anyone of these skills.

It has been the artificial tampering with the comparability system, which is a market-based system, by the way.

The breakdown really poses a fundamental question facing the committee and the fundamental question is: Should the Federal Government have a career merit personnel system united by a general pay and personnel system or do you want to go to an occupational system or do you want to go to a patchwork quilt system of agencies in different skills within agencies and different geographic areas? And, I think that is a basic conceptual question that the committee has got to deal with before you move any further in fragmenting the system.

---

[1] See p. 317 for Mr. Blaylock's prepared statement.
[2] See p. 339 for Mr. Murphy's prepared statement.

The current process for setting pay, when allowed to work, has served the existence of the general career merit personnel system well.

That policy is based on total compensation and comparability for Federal employees with their private sector counterparts and comparability within the Federal work force dating all the way back to 1851, when the Senate instructed the Department at that time to set up such a system because of the problems they were having with agencies competing with each other, not being able to recruit or retain them.

Now, four times, in our current system, again in the 1920's, we began to have serious problems with recruiting and retention and it was again when, artifically we quit paying attention to the going rate for skills in the private sector. So adjustments were made again in the 1920's and, of course, we know the history through the Depression.

But then, through the 1950's and the 1960's, we began to have the same problem, we couldn't recruit and retain highly qualified people, so in 1962, we changed the act to reinforce comparability in the private sector. We did well until the Carter administration, the Reagan administration, with the Senate and the House going along, we have artificially capped and ignored the rates in the private sector. The truth is, you got to compete out there if you're going to get skilled workers and nothing else is going to work.

In previous testimony, before the committee, we have applied documentation and pointed out the recruitment and retention problems for top flight managers, correctional officers, and all the skills in the Federal Government becoming a problem. But, the proposals now pending, don't address that problem. They simply provide a temporary remedy for a select few.

The situation today is not one of an isolated incident or a particular pay problem, but it is a generalized collapse of the entire compensation system.

The existing pay system has lost credibility with all parties and it is this situation which must be remedied. The system must be dealt with in total. not in a distorted fragmented way.

The most recent report of the Pay Agent, August 1985 concluded that, based on survey results, Federal employees were 21.66 percent behind their private sector counterparts.

Due to the 1-year freeze on Federal pay effective January of this year, and the increase of private sector pay since the last comparability survey was done, would probably prove the figure would be about 25 percent, on the average behind. Certain occupations are much more than 25 percent behind.

Despite this dismal record, I would like to state, for the record, that we at AFGE believe that comparability, in principle, is the soundest method of setting pay for Federal workers. Both politically—the Congress, the administration can always defend it and with the public, politically, that we are paying no more, no less than skills in the private sector. You can also defend that on an economic basis, the market-based system and you're facing the problem right now that you have if you don't follow that system.

The 25-percent pay comparability gap, in general, reflects the average difference between the pay of all Federal employees and that of their counterparts, yet the bills being considered today affect only a few employees, mostly holding positions in grade 11 and above; 60 percent of the General Schedule work force is employed in positions at 10 and below.

Why then should these employees be ignored in the measure designed to remedy the disparity pay situation?

I'm going to tell you, Mr. Chairman, you can have all the professionals and all the managers you want, but if you don't have the clericals to back them up, it's not going anywhere and you know that in your own office. We're losing those people. We're having serious trouble in certain areas of this country right now—right here in the District of Columbia, in fact, we're losing clerical workers. It's hard to keep clerical workers.

The blue-collar system has also been affected and we're having the same problem in all of our defense agencies—activities.

S. 1327 seeks to address the problem of the pay system, modifying the authority for the establishment of special and higher rates of pay. It switches OPM's authority to make special pay rate determinations to that of denying special pay rates determined by the agencies. It greatly expedites the process and removes current limits on starting salaries and allows for bonus programs tied to service agreements and provides other personnel changes.

The merits of S. 1327 is that it doesn't relate to a particular agency or particular job category, however, instead of addressing the overall pay problem, it seeks the solution, again, of bolstering the already overburdened Special Pay Rate Program.

The Special Pay Rate Program was intended to deal with very extraordinary and exceptional cases and should not be the vehicle to address the overall problem that we have today.

S. 1727 would allow agencies wide latitude in establishing alternative pay and personnel systems for scientific and technical personnel.

And, again, Mr. Chairman, I have already stated our position there. We have a total work force out there and it should be addressed to the total work force.

And, S. 2082 is a proposal to establish a new agency within the Department of Defense. I would just state, in general, that we don't understand how establishing a new agency of 10,000 people is going to address the problems we have in procurement and acquisition today.

It don't matter how many agencies you set up, you have people in those programs today. The Defense Logistic Agency, as an example, today, I talked with the recent retiring commanding general of the logistics agency and he pointed out, with the pay problems that we have today under the current system, with the impact of Gramm-Rudman or any budget adopted that meets those goals, with the Roth-Bingaman bill for early retirement, anyway he looks, he's going to lose thousands of career, skilled procurement people and he talks about the turnover that he has had in his agency in the last couple of years and the training that he has on these people. It has been 10, 12, 15, 20 years to train those people. These are the people that are leaving.

So you can establish all the agencies you want. Buy you can address the current problem today and keep those qualified people you already have.

Mr. Chairman, in general and just to wind up my summary and I do have a total statement that I would like to enter into the record, but I would like to go to three charts that are in my general statement.

First, on page 5 of the statement, table I basically illustrates the General Schedule pay increase and the proposals and what has happened with the artificial capping, so you can see how this gap has grown and if you look at that chart, the first line across is the Pay Agent's recommendation. That is the number that showed up after the comparability survey was run. That's what the private sector's general rates were.

You look down at the next line, and that particular column under 1979 is the President's budget proposal. The next line was the alternative pay line that was imposed that year and, of course, the actual is the same.

Now, if you just follow that across that chart you see where that gap has grown to 21.66 percent and the actual is zero. You see the disparity because of the artificial caps on the system. If we had applied the rates that were being paid in the private sector—that shows you.

If you go to table II on page 8 of the statement, the picture that you see here is the change in the demographics of the General Schedule workers in this country.

First off, you need to understand the big demographic change has been in the last 18 to 20 years when the work force was fairly evenly divided, about a million something blue-collar workers and about a million white-collar workers. Today, you have just a little over 300,000 blue-collar workers and you still have a work force the same size you had back then. So, there has been a drastic shift there.

The other shift is in the grade structure and, if you look at 1970, you will see that you had 521,000 people from grade 1 through a 6 and up at the 11, 12, 13, and 15 level, you see 264 and 164 and if you look over to the far right-hand side, you will see the dramatic increase in the higher grades and the dramatic decrease in the lower grades and we're reaching a point that you're getting a hell of a lot of chiefs and damn few Indians to get the work out down there. That's another fact that needs to be looked at.

And, I think the most telling example we have, if you look over on page 14 of the statement, the point I made was that if you were following the comparability pay line, there would be no need for a special pay rate, if we just picked up a few special pay schedules that are now in effect. Legal and clerical in New York, engineers, nurses, electrical engineers, and so on, and if you look at that chart, you will see the restricted—first the special rate that is in effect there for the legal clerk, for example, is $16,305. The restricted pay line, after all the caps is $14,000, what we are actually paying them. If you had followed comparability, it would have been $17,000 would be what they would get, which is about a $1,000 a year more than the special pay rate right at this point.

If you look at nurses, you will see that almost equals out to, you know, within $200. The special pay rate is $15,000; the comparability line, unrestricted, would have been $15,000 depending on where they were in the step structure, we're actually paying nurses $12,000.

It tells its own story, Mr. Chairman. I would just like to conclude my remarks by saying that it sure is no surprise to us—those of us who represent the workers—those people working in the trenches and I don't think it should come as any surprise to this committee or any manager that we do have a very very serious problem with the Federal work force today.

There was a time when people were very proud to work for the Federal Government and it was a prestigous job; they felt like they were doing a patriotic service for their country, they were proud of their skills, and they were proud of the fact that they worked for the U.S. Government. That is no longer the case, Mr. Chairman.

I travel this country from ocean to ocean constantly and I just come back through the Southeast. I was in Tennessee, I was in Georgia, I was in South Carolina. I just come out of Iowa. Nobody out there is proud of being a Federal worker anymore.

The President could issue all the proclamations he wants about civil service pay and what a great job these workers do, but what's happening on these papers and what is happening in the pay is coming home in the envelope.

Federal workers no longer will accept a smaller pay rate, which they did for years because there was security in the job. They felt like they had a secure job.

Second, they felt like at the end of their career, they had a secure retirement, at least they could take care of themselves once they retired. Today, there is no security at the worksite. You know, with the talk of RIF's and with contracting out and with Gramm-Rudman cuts and all of those things that are happening, nobody feels like they may have a job next year and nobody believes there is going to be a retirement system out there at the end of their time and so, they're not willing to accept that lag that always existed in the comparability system. It takes time to survey out there and bring those rates back up.

So, you are nothing to hire. You're not going to keep employees. In fact, we're losing large numbers of skilled people that no longer feel that they are part of a team. They no longer feel that this Congress or the administration gives a damn.

So, I think that, until you address the general problem, you're just stomping out brushfires.

Thank you very much, Mr. Chairman.

Senator GORE. Thank you, Mr. Blaylock. That's a very powerful statement and a very strong point that you make. I must say that I agree that we must address the comparability problem.

I do believe there is some merit in trying to implement better pay and a better system. This subcommittee will, of course, continue to do that, but you make a very very strong point about the underlying cause of so many of the problems that we seek to address. If we pretend that we're going to solve those problems with a new way of paying the same basic amount of money to the work force, then we're kidding ourselves.

I agree with you. I have long been an advocate of comparability—real comparability, not just using the slogan and pretending it's there when it's really not. I definitely agree with that.

Mr. BLAYLOCK. Mr. Chairman, if I could make two more comments on that.

Senator GORE. Certainly.

Mr. BLAYLOCK. One, when you questioned the previous witness about the classification.

Senator GORE. Yes.

Mr. Blaylock The classification system is a serious part of the problem and I'm not going to take up the time of you and the other witnesses here today to get into the discussion about how the comparability—the methodology of the comparability system.

As you well know, I sat on that pay council for many years until we decided we were wasting our time.

But, you cannot deal with comparability with this current classification system. I'll tell you, the best thing you could do is do away with that classification system, get rid of that damn little grid of 15 grades and 10 steps, which nobody else in the world uses because when you survey occupations in the private sector and then you try and bring that data into the Government and fit it on a nice little grid and get an even pay line and get 10 steps in each grade of 15 grades, it doesn't work and that's the reason the engineers have fallen out, that these other skill levels fell out because we could not apply that on this nice little grid, so they dropped further and further behind because, you see, the formula that's used, if you raised it on the high end to take care of some of the higher grade professionals, then you lower it on the lower end. We rock it like a seesaw.

Senator GORE. Yes.

Mr. BLAYLOCK. And so then it gives you real trouble in the clerical area and vice versa, but nobody else in the world uses that thing and we ought to pay attention to the real comparability system.

Senator GORE. Well, it's another way of saying that the current system is too blunt an instrument to do what needs to be done to attract the right people for the right jobs.

Mr. BLAYLOCK. We're suggesting to you that for now, with these very special problems you have, that you go ahead and simply waive the cap that now exists on the comparability system. Apply those unrestricted rates to these skills where we're having serious immediate problems.

Senator GORE. Yes.

Mr. BLAYLOCK. And that you establish a commission to review this whole process and legislation is beginning to move over there in the House to do that.

Because, something has got to be done with the system and I think we need to study it and, in the meantime, tie the system, the current rates, to an ECI or CPI so you can get adequate adjustments here for the next couple of years and people can understand, hey, it is being corrected, it's being straightened out. That's our suggestion to you. It's in my full statement.

Senator GORE. All right, good. I'll have other questions. We certainly appreciate your statement.

I would like to call next on Edward Murphy, legislative counsel with the National Association of Government Employees.

I would like to welcome you here. We enjoy working with you and please proceed.

Mr. MURPHY. Thank you, Mr. Chairman. We appreciate this opportunity to appear before the subcommittee this morning.

The three bills under consideration this morning all recognize the pay gaps between private and Federal workers are causing recruitment and retention problems in a variety of locations in occupations.

S. 1727 is designed to address these recruitment and retention problems among scientists and engineers. The legislation provides broad authority to Federal agencies to establish pay and incentives.

A similar piece of legislation, S. 2082, is designed to address the Government's problems in attracting and training the employees it needs to monitor its acquisition programs.

Both these bills are structured on the China Lake experiment. These two bills would expand the China Lake experiment to cover approximately 190,000 additional employees, predominantly scientists and engineers.

We are skeptical that the application of the performance appraisal system, advocated by China Lake can be accomplished in a fair and objective manner without extending additional protections to employees and their representatives to guard against the arbitrary and capricious exercise of power by supervisors.

In addition, there are problems related to additional administrative costs associated with running a personnel plan, with several different pay systems and also questions about the impact of competition between the agencies for the best and brightest employees which needs to be examined.

Senator Trible, as you know, has also introduced much needed legislation, S. 1327, which amends the law regarding special pay rates. The bill improves current law by granting greater authority for agency heads. S. 1327 reforms the special pay authority by requiring OPM to respond within 45 days of the agency's request or the request is implemented. The bill also allows special pay rates to be justified for a broader variety of reasons, giving greater discretion, again, to agencies to address their special problems.

The major deficiency, however, in all three bills under consideration, is that they reform or attempt to reform Federal pay in a piecemeal fashion. The entire Federal pay system is in drastic need of overhaul.

We are also concerned about the precedent of having the various authorizing committees enacting legislation which establishes differing pay and personnel policies. We could easily foresee the creation of hundreds of pay systems fostered by authorizing committees with little understanding of the overall personnel policies or compensation systems. Most importantly, the approach of these three bills will undercut efforts to make the comprehensive changes needed in the Federal pay system.

The Federal pay system is in drastic need of reformation for all Federal employees. We are eager to work with this committee to explore a variety of different approaches for this reform.

Mr. Chairman, we would also like, at this point, to address some remarks to the administration's proposal to extend the China Lake experiment throughout the entire Government work force.

As we indicated earlier, the China Lake experiment does not provide any evidence to justify extending the program Governmentwide. The experiment took place in a comparatively small unit of nonunion personnel who were primarily scientists and engineers. In addition the program has never been fully evaluated by any objective source.

We note, Mr. Chairman, that the China Lake employees received a greater pay increase than the General Schedule workers, which might solely account for improvements in productivity and morale. We suspect that any comparative group of workers who receive larger pay increases than their colleagues, would show improvement in morale.

OPM has not elected to utilize their authority to run demonstration projects to further test any of these variables, rather they seek blindly to leap into the brink and extend concept Governmentwide. There is no concrete support for such radical and irresponsible change. NAGE supports testing a variety of approaches for reforming pay. We need hard data based on solid experience before we radically reform the largest pay system in the world.

We thank the committee for this opportunity to testify today and I am prepared to answer any questions the committee may have.

Senator GORE. Well, thank you very much.

We'll hold the questions. We have a vote on right now. Mr. McElfresh, maybe we can get your statement in. If you could compress it somewhat, we could get it in before the break. The vote is for income tax purposes.

Now, you have a statement also, Mr. Cox, is that right?

Mr. Cox. That's right, Senator.

Senator GORE. Fine.

Mr. McElfresh, if you would proceed with your statement.

Mr. MCELFRESH. Thank you, Mr. Chairman. Thank you for the opportunity to appear before this subcommittee concerning proposals to enhance the Government's ability to recruit and retain qualified employees.

I am Ralph J. McElfresh, Jr., Federal area vice president of the International Federation of Professional and Technical Engineers.

The IFPTE represents almost 15,000 Federal employees in the engineering scientific and technical fields. Employees work for the Navy, NASA, Air Force, and the Interior Department. Many of them are covered by special pay and many would be affected by the legislative proposals being discussed in these hearings.

As a mechanical engineer, employed by the Norfolk Naval Shipyard for the past 33 years and being covered by special pay myself, I can tell you that the reality of the problems of attracting and retaining a qualified technical work force is as serious as the statistics indicate.

IFPTE supports the majority of changes proposed by S. 1327. Senator Trible's bill addresses many of the current limitations on the special pay program, for example: currently special pay is allowed only where higher private sector pay rates cause recruiting and retention difficulties; the amounts of special pay rates are unreasonably restricted; and OPM is allowed to act upon special pay requests at its leisure. Nevertheless, we believe that too much discretion still rests with OPM in these matters.

OPM has administered the program in a way which leaves employees covered by special pay confused and demoralized—just the opposite of the intent of the program. On occasion, special pay recipients have watched their colleagues receive the general comparability increase while they themselves receive nothing. Even when special pay increases caught up with general raises, damage was already done by the delay and accompanying uncertainty.

Another example of unreasonable administration of special pay by OPM occurred last year. OPM granted special pay to certain electrical engineers, but not to electronic engineers, who were doing the same kind of work, had the same educational backgrounds, and were suffering the same recruiting and retention difficulties. The electronic engineers were understandably enraged. OPM did not reverse its position despite requests to do so by IPFTE, Navy, NASA, and perhaps others. Unreasonable artificial distinctions similar to electrical engineers versus electronic engineers have been applied by OPM to other classifications as well. Examples would be nuclear engineers, and in a few instances, various technicians.

We believe that there should be stronger guidelines and standards for OPM to follow in administering the special pay program.

The other two bills, S. 1727 and S. 2082, envision applying the China Lake project to all engineers and scientists in Government and to employees involved in defense acquisition, respectively. We believe there are many serious questions which should be answered before such large steps are taken. Our experience has made it clear that such an approach on a broad scale basis would be disastrous without a complete turn around in the current attitudes toward performance appraisal in the Federal civil service.

China Lake places tremendous authority in the hands of supervisors to take personnel action, including pay decisions, based on performance ratings.

The record, to date, shows that, by and large, the supervisors of the engineers, scientists, and technicians we represent have been promoted from technical to supervisory positions without being given adequate personnel management training and tools. One result is that performance appraisal standards and ratings are poorly constructed.

A chemist at the Norfolk Naval Shipyard was told that a highly satisfactory rating is achieved by accomplishing 100 percent of a particular task. It thus appears impossible to achieve an Outstanding rating. A mechanical engineer at the Puget Sound Naval Shipyard finds that the standard for highly satisfactory is identical to that for a rating of satisfactory. Unfortunately, these kinds of standards are quite common. They allow for personal favoritism rather than merit principles and distort the personnel management purposes of performance appraisal.

S. 1727 and S. 2082 place undue reliance on the current ability of supervisors to accurately appraise employees' performances. The proposed legislation does not address the serious problems which exist with performance appraisal. There have to be guarantees of employees participation in the process of identifying performance standards.

Until the problems are resolved, applying programs as proposed in S. 1727 and S. 2082 on a broad basis will increase employee dissatisfaction and disaffection from the Federal civil service.

It is also very important to be aware that the Navy is now proposing to implement a China Lake type demonstration project at the Mare Island Naval Shipyard, in Vallejo, CA. The employees there are represented by labor organizations including IFPTE. This is unlike the situations at China Lake and San Diego. We expect employee participation in the program at Mare Island to be much more assertive than where there are no labor organizations. We are closely watching that situation with great interest.

Rather than extending China Lake principles Governmentwide or classificationwide at this point, we believe a number if such demonstration projects would be more appropriate and prudent. Certainly, we're curious how such concepts apply outside of the Navy and in different types of employment situations.

IFPTE also takes the position that the legislation implementing a private-sector style China Lake program should include private-sector style employee rights. Greater authority in the hands of management calls for greater opportunities for employee organizations to create checks and balances.

Specifically, we recommend that legislation on such programs expand the scope of bargaining to cover pay issues, terms of probationary periods, and, at a minimum, performance standards.

Finally, we can't help but wonder whether most of the problems which inspired the three bills before this subcommittee wouldn't just disappear if Federal compensation in general did not lag so far behind the private sector. Similarly we are confident that the Federal service would be much more attractive in the absence of repeated attacks by the administration and others on our compensation, retirement, and other benefits, as well as the constant threat to the existence of the programs which justify our employment.

We thank you, Mr. Chairman, and the members of this subcommittee for being true friends to Federal employees and for giving us this opportunity to address you.

Senator GORE. Thank you very much.

Your final point, Mr. McElfresh was identical to the point that Mr. Blaylock made earlier and one which I am sure he has expressed previously on many occasions.

Rest assured that the members of this subcommittee and I know I speak for the chairman as well as myself, if we had our way, we would be addressing these problems throughout the Government.

As a practical matter, you all are aware of the problems that we encounter in trying to deal with that. I remain interested in exploring the additional flexibility that is embodied in several of the bills that are before this subcommittee.

I think, what you are probably going to see is an effort to get best elements of various bills before us to come up with an innovative approach that will work.

But I have to reiterate my agreement with the underlying point that you have made.

We have got to briefly recess for a vote on the floor. Senator Stevens will be back shortly to reconvene this hearing. We'll stand in recess for a short period of time.

I would like this panel to stay until we reconvene after the vote because we may have some questions when we come back. We'll stand in recess.

[A short recess was taken for a floor vote.]

Senator STEVENS. My apologies again. I am informed, Mr. Cox, we're at the place of your statement. Do you wish to present your statement?

Mr. COX. Mr. Chairman, distinguished members, I am Jerry Cox, president of the NASA Council of IFPTE Locals and a full time career employee at the Marshall Space Flight Center in Huntsville, AL. I appreciate the opportunity extended by the chairman, to share the NASA employees' views on the bills being considered by this subcommittee regarding the problem of recruiting and retaining qualified engineers and scientists.

The NASA Council of IFPTE Locals is comprised of four locals of the International Federation of Professional and Technical Engineers, AFL-CIO. These four locals are the exclusive bargaining agents for employees of the National Aeronautics and Space Administration at the Marshall Space Flight Center in Huntsville, AL, the Lewis Research Center in Cleveland, OH; the Goddard Space Flight Center in Greenbelt, MD; and the NASA Headquarters in Washington, DC. The council's four locals represent over 5,000 NASA employees of which some 4,100 are engineers or scientists.

Mr. Chairman, these employees are America's finest. In addition, the views I share with you today are supported by some 1,400 engineers or scientists represented by the American Federation of Government Employees at the Johnson Space Center in Houston, TX.

S. 1327 is legislation that is long past due. NASA is at or near a crisis in its ability to recruit and retain top quality scientists and engineers. It is ironic that NASA's toughest competitors are aerospace companies performing Government contracts. The budgets of the research and development agencies provide funding to these private sector firms that provides for higher salaries and better benefits than the agencies can provide their own employees.

Why should not NASA pay its engineer the same salary that it, through a contract, pays an engineer at Rockwell International Corp. or Boeing Aerospace Co.? While the Congress has proposed to give the employees I represent a 2-percent pay increase next January, agencies are now negotiating or awarding contracts that provide for pay increases in the second year of 5 percent.

The expansion of the implementation of higher rates of pay where the Federal Government is experiencing recruitment or retention problems to the agencies is a significant improvement over 5 U.S.C. 5303. However proper budgetary funding is required for the legislation to be fully effective. OPM's implementation of special pay rates has been a major problem. In 1982, Senator Gore, then Congressman Gore, assisted me in rectifying a problem created by OPM's implementation.

NASA's unique job classification system has also created a problem that must be corrected with this legislation. Under the current provisions of title 5, special pay rates are provided to engineers depending on their OPM classification. NASA's AST classification system allows a GS-12 electrical engineer to receive $2,500 more per year than another GS-12 electrical engineer in the same work area. Yet, the present intent of 5 U.S.C. 5303 is to enhance the ability to hire and retain electrical engineers.

The special pay rates should be expanded to pay grades higher than the current GS-11, GS-12 for electrical and electronics engineers. Frequent Presidential use of alternative pay rates has severely restricted the pay of NASA's engineers. Adequate salaries under 5 U.S.C. 5303 will permit GS-11 engineers to be paid more than GS-12 engineers and perhaps GS-13 engineers. I have for the record a pay scale for engineers and scientists.

[The information referred to follows:]

JANUARY 1986

GENERAL SCHEDULE PAY TABLE

ENGINEERS AND SCIENTISTS

NASA CLASS CODE 200 AND 700 SERIES

	1	2	3	4	5	6	7	8	9	10
GS7*	$23,170	$23,764	$24,358	$24,952	$25,546	$26,140	$26,734	$27,328	$27,922	$28,516
9*	26,893	27,595	28,297	28,999	29,701	30,403	31,105	31,807	32,509	33,211
11*	29,018	29,868	30,718	31,568	32,418	33,268	34,118	34,968	35,818	36,668
9**	27,834	28,561	29,288	30,015	30,742	31,469	32,196	32,923	33,650	34,377
11**	30,034	30,913	31,792	32,671	33,550	34,429	35,308	36,187	37,066	37,945
12**	34,034	35,130	36,226	37,322	38,418	39,514	40,610	41,705	42,802	43,898
12	31,619	32,673	33,727	34,781	35,835	36,889	37,943	38,997	40,051	41,105
13	37,599	38,852	40,105	41,358	42,611	43,864	45,117	46,370	47,623	48,876
14	44,430	45,911	47,392	48,873	50,354	51,835	53,316	54,797	56,278	57,759

* Reflects Special Pay Rates

** Electrical & Electronics Engineers Only (GS-850 & GS-855)

NASA COUNCIL

OF THE INTERNATIONAL FEDERATION OF
PROFESSIONAL AND TECHNICAL ENGINEERS

Mr. Cox. The NASA engineers cannot, at this time, endorse S. 1727. While we fully support the purposes of this bill and have been engaged in activities for many years to bring about its intent, we cannot yet agree on this means of achieving its purpose.

We have questions about this type of personnel management system that we cannot answer at this time. We fear that agencies may be penalized in the budget process for "high" personnel costs. At NASA we work as a team. The differences in personnel systems for members of the team may have a negative effect. We fear that the application of S. 1727 may not be done in a fair manner. It has been our experience that merit systems bring nonmerit matters into the appraisal process.

In conclusion, I would like to emphasize the need to improve compensation for NASA's engineers and scientists. My agency is having difficulties in recruiting, and we are losing employees which the agency has invested money in training, et cetera. Action is needed now. We cannot wait for the problem to worsen. With the recognition of past problems of special pay rates that have been encountered by NASA employees, I believe Senators Trible and Warner's bill, S. 1327, will go far to accomplish the solution of NASA's recruiting and retention difficulties.

Mr. Chairman, I appreciate the subcommittee's efforts to address this issue and the opportunity for NASA's engineers and scientists to be heard. Thank you.

Senator STEVENS. Thank you very much. I don't have any questions, gentlemen. I'm sorry I wasn't here for the presentation of your statements.

I think it is apparent that there are going to be some substantial changes made in the concepts that have been utilized to determine civilian pay. You have reflected that desire, Mr. Blaylock, and I think others have, in terms of their testimony before the subcommittee.

There is certainly not any unanimity as to the approach to this concept. We are, frankly, where we were on the retirement bill about 7 years ago and I don't think we have 7 years. It seems to me that we have to find some way to develop a consensus in a shorter period of time.

We are informed now that finally we do have an agreement on the retirement bill and we will move on that in the very near future

But, I don't know what process we could use. It is possible that if we could develop a consensus, we might get to such a bill in September, but I doubt it. In all probability, it seems to me that a bill will be presented to both Houses sometime next year. The earlier the better.

I think with the opposition that these bills have, it would not be possible for them to be enacted this year. So, I believe there is every reason for us to start working on some kind of program to develop a consensus and as soon as we get retirement bill out of the way, I look forward to working with you all to do that.

When we get the administration's bill, I will be happy to introduce it and we will see what we can do. If we can get a consensus this year, I'm going part way trying to deal with the problems that we have in that area and other areas, we will do that. Right now, I don't see that consensus allowing us to develop a bill that will not take a substantial period of time in both the House and Senate and there just isn't that amount of time left this year.

We are almost to June and we'll be finished by the first of October. We've still got all the appropriations bills, the budget process to finish and the authorization bills for defense and for the major departments of the Government.

So, there just, in my judgment, isn't time, unless we have an agreement on a bill like this. If one can be reported out this year, I will be happy to work with you.

I appreciate your being here and your statements. I have looked your statement over Ken. Am I correct, you do believe we need a totally new system?

Mr. Blaylock. No, sir, I don't think we need a new system. If you read our testimony, the basic thrust of our testimony was that the comparability system, there are some problems with the methodology of the comparability system, but the comparability system itself issued. One, it is a market based system.

Two, you're having the trouble you're having today of retaining and recruiting people because two administrations in this Senate and in the House of Representatives, falsely aborted the comparability system and we have the figures in there that show you that. If you applied the unrestricted pay rate of the rates that were surveyed in the private sector you would find that you have no need for a special pay system in any one of the rates.

Now there is a very specific problem here in that the pay rates have been falsely capped by the application of the system itself over several years and you know that I sat on that pay council and scientists, engineers and several other occupational rates, we have been picking up a movement in the private sector for years where they would go and higher and higher above us.

Arbitrary decisions were made by the administration in order to fit that across the classification grid and we just throw those rates out. They call them supports. We have been seeing that movement for a long time, Mr. Chairman.

So what we're saying, Mr. Chairman, is that if you honestly followed comparability, which is what is happening in the private sector, and one way or another you're going to have to do that, if you're going to attract and retain competent and qualified people.

It's hard for me as a plumber to understand why people as smart as you sit around this Senate Chamber and also over in the White House and OPM have trouble understanding this. If you don't pay the rates, you're not going to get the people and now we have a serious problem and the comparability system, I think, is still the best way, both politically and economically to set rates of pay for Federal workers.

Now, there needs to be a few changes made in it, but it does not need a complete overhaul, it simply needs abiding by. We have suggested, Mr. Chairman, for the immediate problem and I think you could do this this year. If you all could move a bill through here that would waive the restriction on the comparability rates for these special skills that we're having serious trouble for right now and let those comparability rates go ahead and apply to those fields.

Tie the other rates to an ECI or CPI so in the next couple of years we would get an adequate adjustment, at least our wages would move as in the private sector.

I think the answer may be in the bill that is moving through the House committee now where a Presidential commission would be set up. You're holding things kind of on its own and you're dealing with the immediate special problems that we have and then this commission has 2 years to analyze the system and come back, you know, with a way to get it back on track, but the bottom line is, you're going to have to pay what they pay in the private sector or you ain't going to keep them.

Senator STEVENS. If we had changed the retirement system when I first suggested it be changed, we would have had a much more favorable bill than we'll work out this week.

If we follow your suggestion and we get further and more deeply into the deficit problem, we'll have a worse situation than we would have if we work now.

I think one of the problems is that delay is not in favor of the Government employees in terms of comparability. If the information that I received yesterday about the deficit is right, I mean the current deficit, we're back to the original projection in terms of deficits for 1986.

If that's the case, then the 1987 deficit will be worse and we'll have sequestration, almost without any question, and I want you to know if you have a pay commission that works for 2 years and then we review the findings for a year, we're talking about dealing with it in 1989 or 1990 instead of dealing with it in 1986 or 1987. And, the Federal employee will suffer because this situation is not going to get any better. You want to talk about people that sit around and don't understand the whole concept of pay, take a look at what the congressional people have done to their own pay in the last 15 years, if you want a good example that they don't understand pay.

But, as a practical matter, the problem is that that's where the public is.

Mr. BLAYLOCK. Well, Senator, you know as well as I do, first off, you got to stay with the market place if you're going to compete for people. The pay line bas been artifically suppressed and as the classification system has been artificially reduced and you know as well as I do, that OPM has dramatically reduced the grade levels in the classification system and it has resulted in the problems we have today.

You know, Federal workers——

Senator STEVENS. Ken, I don't——

Mr. BLAYLOCK. You've got below comparability, that's your problem. You're way below comparability. Why do you think these people are leaving? They're going somewhere else and getting better pay.

I was in Fort Stewart, GA, 2 days ago. Highly skilled people who the Government has got a hell of an investment in training them, are telling me, even in a southern town like that, the people downtown are making $4 to $7 an hour more than they're making and they're all saying, all I'm looking for is a way out of this place.

So, Mr. Chairman, you had better recognize that. Now, the Federal worker didn't create the deficit, but I'm telling you, the short term gain, over the long term haul, you're not going to have a Federal work force and you're going to have a work force that is what has been espoused by the politicians for a long time and you're going to wind up with people that can't get work anyplace else. That's what you're facing.

So you can hang your hat on that deficit all you want, but the truth is you're losing good people and you're fixing to lose a lot more of them if the Roth-Bingaman bill passes on early retirement, otherwise you'll lose them either with Gramm-Rudman next year or you'll lose them with the budget that you adopt to meet the Gramm-Rudman.

Senator **Stevens**. That's tomorrow. That's different and I debated a long time before I agreed to cosponsor that bill. As a practical matter, I perceive now that we're in a period of reduction of Federal employment whether we like it or not and we might as well face it in dealing with people who want to get out and in dealing with new people who want to get in. It is a controversial bill. We'll have to face that tomorrow.

In terms of continuing this present pay system in the period ahead—you know, I don't hang my head on the deficit. I hang my head because of the deficit and the real problem is that the deficit is just a symptom, not the disease. The disease is the national debt and after we get to 1991, we have to decide to deal with the debt and the measures in 1991 will be more stringent than they are now and, if that's the case, the more harm that is going to come to the civilian Federal employee.

Again, I think we have got to sit down and chat and find out how we can get where we have to go. I believe we have to make some changes. I think that the China Lake experiment works in that situation and we have got to find out how that can be applied generally.

I look forward to your people participating in our hearings out there. We will hold hearings and we'll listen to everybody who wants to talk.

Thank you very much.

Mr. **Blaylock**. Thank you, Senator.

Senator **Stevens**. Our next witness is Mr. Gregorits, the past chairman, Professional Engineers in Government. He is accompanied by the executive director, Mr. Donald Weinert.

Gentlemen, glad to have you.

TESTIMONY OF JOHN W. GREGORITS,[1] P.E., PAST CHAIRMAN, PROFESSIONAL ENGINEERS IN GOVERNMENT, NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS, DOVER, NJ, ACCOMPANIED BY DONALD G. WEINERT,[2] P.E., EXECUTIVE DIRECTOR, NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS, WASHINGTON, DC

Mr. **Gregorits**. Thank you, sir. Good morning.

---

[1] See p. 350 for Mr. Gregorits' prepared statement.
[2] See p. 356 for Mr. Weinert's prepared statement.

On behalf of the National Society of Professional Engineers, I want to thank you for this opportunity to share our views on the Federal personnel systems for scientists and engineers.

I am John W. Gregorits, past chairman of the Professional Engineers in Government Division of the National Society of Professional Engineers. I am also the Chief of the Analytical Evaluation Branch of the U.S. Army Armament Research and Development Center in Dover, NJ. I have served the Government for 28 years, first as an engineer and then as an engineering manager.

NSPE represents 75,000 professional engineers and in addition to NSPE, this testimony is endorsed by the American Academy of Environmental Engineers, the American Society of Mechanical Engineers' Board of Member Interests and Development, and the Association of Scientists and Engineers. A short description of the size and purpose of the groups is attached to our testimony.

I would like to have our testimony read into the record and summarize several important points.

Senator STEVENS. We will print your statement, in full, in the record.

Mr. GREGORITS. Thank you. As a professional society, we believe that the Federal Government should have the strongest possible cadre of engineers and scientists. Approximately 6 percent of all engineers are directly employed by the Government. When indirect employment is considered, that figure raises to 30 percent, making the Government a dominant user of engineering goods and services throughout the economy and a major player in developing the Nation's research and development.

To underscore the significance of these statistics, I call your attention to a recent report of the National Research Council, entitled "Engineering Education and Practice in the United States." The report recommends and I quote, "In view of the strong dependency on engineering talent for many of its most important activities, the Federal Government should review its compensation policies to ensure that it can competitively recruit and retain a high quality engineering work force."

Without an adequate supply of qualified engineering talent, our Nation's public works infrastructure, Space Program, Federal laboratories and other critical areas will not be able to meet the demands of our increasingly technologically dependent society. The quality of research, design and construction projects is directly dependent on responsible technical talent; with mediocre manpower, we can expect only mediocre work.

While there are many outstanding engineers throughout the Government, there is also a substantial number of under qualified people in key engineering positions. Because of an inability to attract top engineering applicants, agencies, laboratories and other Federal institutions are hiring mediocre or unqualified people, and then promoting them to positions that far exceed their abilities and training.

The impact of this situation is shown by the excellent example which you have already alluded to this morning, that is the letter that was sent to the Virginia Society of Professional Engineers which was part of Senator Bingaman's testimony earlier.

In this case, an engineering technology graduate, who had an educational background, with about half the required courses to be rated eligible for an engineering position, was given a GS-5 rating and then, within a 30-month period, was promoted to a GS-11 engineering position.

According to that letter, and I'm quoting from the supervisor. The supervisor " * * * realized that he could not perform even very simple engineering tasks." Instead of being reassigned to a more suitable position, he was simply transferred to another engineering group. Unfortunately this case is not atypical.

Another related factor that enters into this situation affects Government contractors. Engineers working for the private firms under contract with the Government often find themselves doing business with people who don't understand the engineering they have contracted for. As a result, communication is poor and it is often difficult for the contractor to determine exactly what is needed.

This certainly reduces the efficiency of the process and adds immeasurable administrative burden to both the Government and its contractors.

The problem of employing top-flight engineers is affected not only at the entry level, but is equally difficult to attract prominent senior level engineers and scientists into top jobs throughout the Government. This has a particularly deleterious effect on the national laboratories which depend on such talent to perform sophisticated research. In a recent analysis of the Federal laboratories, White House Science Council Chairman David Packard concluded that a major impediment to improving the research conducted by Government-operated laboratories was their inability to attract and retain qualified technical staff due to inadequate compensation. The GAO found that federally employed engineers experienced a pay disparity of 47 percent below the private sector at the entry level, according to a 1984 report.

It has been argued that special pay rates can be used to correct this problem. Setting special pay is a laborious process whereby each agency must prove conclusively an inability to hire engineers by documenting that Federal salaries are not competing effectively within the local market.

While this sounds like a very straight forward process, it does not accurately gauge problems of recruiting technical personnel.

Even OPM's basic qualifications standards work against staffing engineering positions adequately. An engineering technician can become an engineer in the Federal Government by virtue of qualifying under "alternate methods." For example, a degree in physics, chemistry, architecture, computer science, mathematics, hydrology or geology may be accepted in lieu of an engineering degree provided the candidate has had at least 1 year of professional engineering experience acquired under professional engineering supervision and guidance.

I wouldn't want my appendix removed by an individual with comparable background in the medical field who had been placed in a physician's slot.

Senator **Stevens**. Well, that's not quite the same, is it?

Mr. **Gregorits**. I believe it is, sir.

Senator STEVENS. How many engineers are in geologist spots and how many engineers are in chemistry, architecture, and computer sciences? I know engineers who are in computer sciences and they're very good computer scientists.

Mr. GREGORITS. Yes, sir. But the converse is not true.

Senator STEVENS. It's a matter of opinion. I was an engineering student. I just can't buy that kind of concept that locks us into saying that a person cannot progress with experience. I know a lot of lawyers that never went to law school, by the way.

Mr. GREGORITS. Let me point out another section of our testimony which I was not prepared to talk about at this moment, but I think it bears repeating at this time.

There is a difficulty in Federal regulations regarding engineering in the definition of engineer. Those difficulties perpetuate and allow graduates of other curricula to go into the engineering field. Engineers have to be responsible for what they do. They have to have a certain amount of education, they have to have a certain amount of training and, at least, in some people's definition, they should be licensed as are doctors, et cetera, et cetera.

This flexible and loose definition of engineering allows these sorts of things to happen and one of the things that we would like to see considered by this subcommittee is the tightening up of the definition of "engineering" so that engineers are truly utilized in engineering positions to do engineering.

In general, we support H.R. 3480 and S. 1727 and urge your approval. We do hope, however, that more specific definitions of engineering and scientific personnel can be included for engineering positions. The language should be specific and as a minimum require an engineering degree from a program accredited by the Accredation Board of Engineering and Technology.

Professional advancement and demonstrated competence in specific branches of engineering can be recognized through peer speciality certification programs, such as that offered by the American Academy of Environmental Engineers.

It is important that the Federal Government take advantage of the professional credentials commonly accepted throughout the engineering community built on both State-sponsored and peer-sponsored examinations and we would be happy to work with the subcommittee and your staff to develop such a language.

In conclusion of my remarks, I would like to express my appreciation for the leadership of this subcommittee in delving into this rather critical and rather complex matter. Thank you.

Senator STEVENS. Thank you very much.

I understand your point. I want to tell you though I don't think this subcommittee is going to take on that task because then someone is going to want me to define the scientists and then someone is going to want me to define a manager and I sort of think you might have a better chance of getting the people at OPM to define who is entitled to occupy a position described as an engineering position than have us try to start defining these words in the statute.

So, while I understand your point, and I have to tell you that you remind me of some of my brothers in the legal profession who complain about the people who came in the profession without going to law school, I'm not always sure that some of those guys who got through with common sense and hard work and experience aren't just as good lawyers as others.

We'll work with you on it with OPM, but I don't think we ought to take that up with the bill.

Mr. **Gregorits**. I tend to agree with you. I think the issue is a complex one. There are many States that are currently in the process of addressing those issues. They are trying to define what engineering is and what architecture is and what a scientist is and they are struggling mightily so I think you're wise not to have your committee attack that issue, but I do think it's a——

Senator **Stevens**. Well, it would become very rigid if we did it. Then we would have to evolve that legislation and that is the kind of thing that ought to be dealt with by the delegation of authority that we give executive agencies, particularly OPM, in terms of the regulations. Your people have a real substantial ability to have an impact on that process and that's how the regulatory administrative process ought to work.

I just would not want to try that in this bill—any of these bills. It will be tough enough to get these bills into consensus without trying to define what an engineer or scientist is. As I said, we couldn't stop with your category. If we define one, we have to define them all.

Mr. **Gregorits**. Yes; I agree.

Senator **Stevens**. I appreciate your testimony.

Do you have a statement Mr. Weinert?

Mr. **Weinert**. Do have a few remarks that I would like to make.

Senator **Stevens**. Yes, sir.

Mr. **Weinert**. I appreciate this opportunity, Mr. Chairman.

Just to complement, I think, what Mr. Gregorits has already said. There is a written statement appended.

I guess I would like to start out by saying that I agree and we agree in NSPE with a lot of the previous witnesses that the system is broke and it needs fixing and by that, I mean the entire system.

But, I want to emphasize there is a part in that system that is broken that needs fixing quickly and I am referring to the scientists and engineers that work for the Federal Government. We are often and painfully reminded of the need for fixing that system quickly.

NASA's experiences, the implications of Chernobyl, the windshear detection problem at our airports, toxic waste, holding together the transportation and public works infrastructure of the country, all tell us that we need a highly competent scientific and engineering work force. The current system is not going to give us that work force.

We have highly technical programs, the Government manages those programs or they regulate them, if they don't manage them directly, though the private sector does a lot of work, the truth is that the final responsibility rests with the Federal Government, and its Government engineers and scientists that must make the final decisions.

We can't expect to hold top quality engineers and scientists with an outmoded compensation and classification system, and, both are outmoded. You can not just deal with compensation, you have to deal with the classification issue as well.

I am just going to make 5 points that I think are very important as you pursue this very difficult subject.

First of all, we think a flexible system like the one being proposed by Senator Bingaman is a good step and a long step in the right direction. We think that type of system holds promise. We don't think that Band-Aids on the current system, adjustments of the special pay rates, is really the way to deal with the problem.

We need a fundamental overhaul, not just a tune up of the current system.

Second, I would like to make the point that if you do anything, make it apply to all of any given occupations. Let's take engineers and scientists. I think that's the part that needs fixing first and immediately. If you're going to do it, do it Governmentwide. Not in DOD, not just in the Federal labs, but everywhere because that's the only way you're going to avoid this destructive competition problem that has been alluded to by several of the previous witnesses.

Third, there is a bill proposed to do something for the defense procurement system and we certainly agree that may need fixing as well, however, that does not deal with the engineer and scientist problem. A relatively small percentage of engineers and scientists in Government are professional procurement specialists. So, if you solve the procurement system problem dealing with a professional procurement system, you're not going to solve the engineer and scientist problem.

Fourth, we agree with everybody that, perhaps, all occupations in the Federal Government ought to be dealt with in a more flexible system, one like the Bingaman proposal. However, we don't think that you can afford to take the time to sort out all of the difficulties and implementing a complete system, Governmentwide, covering all occupations. It's going to take a long time to work out the details for that. You've got an immediate problem with your engineering and scientific work force, one that you see visably everyday and I think that you could go ahead, with the system applying to that work force that has been proven in the China Lake experiment and then benefit from that experience in expanding to other occupations if it appears appropriate.

And finally, the point John made about tightening up on who can hold an engineering position. I quite agree, by the way, that many people that come the experience route do marvelous things. However, that is sort of a pig in a poke these days. You might have one that has come the experience route that is marvelous, can solve any engineering problem, but you also might get one that comes that route without educational background and training that could be a disaster and if that disaster is at the wrong place and at the wrong time, it could have serious consequences for the Nation.

Today technology is so complex and the body of knowledge embraced in science and engineering is exploding and evolving so rapidly that the formal educational background becomes more and more important and I think we ought to address that.

I want to thank you very much for this opportunity to add my comments to Mr. Gregorits' statement and we do stand ready to work with you in solving this very difficult problem.

Senator **Stevens**. Thank you, gentlemen. I understand you represent your people and your represent them very well. It is my feeling that problems that we face are not solely with the professional people. In fact, we have the statistics and I have been given some of them. In terms of the space division of the Air Force, the turnover rate in clerical is 29 percent; administrative 16 percent; engineers 19 percent. It took 80 days to fill a position for the engineer at the district engineers in Los Angeles. It took 80 days to fill a position for the engineers. The turnover is 18 percent. The clerical turnover was 20 percent, but it took 83 to 146 days to get people to fill those jobs.

I am not saying that any of these bills propose Band-Aids, I'm just saying, they're not dealing with the whole problem and I think they'll exacerbate the problem. I should think that if we fixed the pay rate system for engineers and professionals and not for the clericals, the voucher examiners, the bookkeepers, and the administrative people that are vital to any Federal entity, that we would have even longer fill time with those clerical jobs, non professional jobs vacant and that is as disruptive to Government as not having the professional and engineering and scientific people, so I think we have to have a comprehensive review if we're going to deal with this issue.

But, I agree with you, you've got problems and we'll try to do our best to work those out.

Mr. **Weinert**. We agree with you about the other problems, by the way. We don't disagree at all that the whole system needs to be overhauled. We happen to have an experiment that was conducted and that proved successful with this particular group of people. We happen to have a national crisis in solving scientific and technological problems and I don't think we can afford to wait and hope we don't make any serious mistakes in the interim.

Senator **Stevens**. I agree and I don't think it can be done solely in the Department of Defense. Thank you very much. We appreciate your testimony.

Our last witness today will be Mr. Ray Kline, president of the National Academy of Public Administration.

TESTIMONY OF RAY KLINE, PRESIDENT,[1] NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. **Kline**. Good afternoon, Mr. Chairman. It's a pleasure to respond to your invitation to the academy to comment on the three bills under consideration today.

The academy has conducted studies that bear on aspects of the proposed legislation and I have a statement here that represents the views of the panels of the academy members responsible for the conduct of these studies. I offer the statement to the committee to be entered in the record, if it so chooses.

Senator **Stevens**. We'll put your complete statement in the record and we would be glad to have your guidance.

Mr. **Kline**. I would like to discuss two particular aspects of Federal pay at issue in the proposed legislation: the pay comparability system which embraces the higher minimum rate feature amended by S. 1327, and the special provisions in S. 1727 related to executive compensation.

---

[1] See p. 364 for Mr. Kline's prepared statement.

Although the academy has not conducted any comprehensive study of the Federal pay comparability system, its standing panel on the public service does have a continuing interest in this matter and believes strongly that the system is in need of improvement.

Recent testimony before this subcommittee by Ms. Kleeman of the General Accounting Office included a factual status report on the Federal pay comparability system. The essence of that report is that the system is failing.

Against that background, the GAO supported the purpose and intent of S. 1327 to broaden and strengthen the White Collar Special Rates Program.

The academy's standing panel substantially agrees with the GAO and endorses S. 1327 as a necessary first step to rescue a failing system. A number of features of S. 1327 are today applied in the private sector with good results. At the same time, however, the panel urges the subcommittee to undertake the more fundamental task of improving the basic pay comparability framework and process.

The panel believes that a fair, credible, consistent pay setting mechanism is vital to the quality and vigor or the public service. It is the foundation needed to attract and retain a competent work force. The way the current system has operated—or failed to operate—is becoming a significant distraction to work force morale and productivity.

As to executive level pay, S. 1727 introduces a special provision for a limited number of scientists and engineers that would sever the linkage between their pay and that of Congress. The National Academy addressed the linkage question in another perspective and that is executive pay. Specifically, executive pay linkage to congressional salaries was specifically discussed in the study of the Presidential appointments process, which took a look at the experiences of 550 Presidential appointees, all the way back to the Kennedy administration. Here is a copy of the final report, "The Fraying of the Presidential Appointment System," which I offer to the subcommittee for inclusion in the record.[1]

The academy study included a recommendation that the statutory linkage that ties the salaries of Presidential employees to those of Members of Congress should be severed. I think the same rationale and the same principle applies in the context of the current bill.

I believe that every group that has studied compensation since this linkage was established has thought it a bad idea and our study panel agrees. As long as the linkage remains in place, there is little likelihood of realistic realignment of executive or top level salaries to match those of the private sector.

I would like to turn now to the provisions of S. 1727 and S. 2082 that propose the establishment of alternative personnel systems. These provisions support recommendations advanced by two blue ribbon studies: The White House Council's Federal Laboratory Review Panel, and the President's Commission on Defense Management.

---

[1] May be found in subcommittee files

The academy fully supports the thrust of these blue ribbon commission reports. Over the past several years, our study panels have found that many of the Federal program management problems are attributable, in part, to the constraining complexity and inflexibility of one or more of the Federal administrative systems.

Governmentwide personnel policies and procedures are frequent, major offenders in this regard, particularly those regulating the classification and compensation systems. A comprehensive assessment of this matter and its debilitating impact on work force performance is documented in an academy panel report, "Revitalizing Federal Management: Managers and their Overburdened Systems," published in November 1983. I offer this report to the subcommittee for the record.[1]

In the area of personnel management, the report makes a solid case for flexible, decentralized systems managed by the executives and managers who must make them work. All of the academy studies have this one message in common: The need for personnel systems that let managers manage.

The Department of the Navy's experiment with alternative systems at both the Naval Ocean Systems Center in San Diego and the Naval Weapons Center at China Lake has been adjudged to be successful by those participating in the evaluation of results. The Navy, DOD, OPM and others involved have learned a great deal from this dynamic experiment in operating organizations.

The academy supported the research and demonstration provisions of the 1978 Civil Service Reform Act which authorizes this kind of experimentation and endorses the expansion of this approach to other areas of Government. It is especially important to expand the Navy's approach to other organizational elements with significant numbers of employees in critical occupations, such as scientists and engineers, procurement specialists and others as soon as the organization demonstrates the readiness to take on the task. The problems related to hiring, retention and work force management in these organizations are real and in some cases severe.

While the academy recognizes the value and need for alternative personnel management systems, our standing panel suggests a different approach from S. 2082 and S. 1727 to provide them. This panel observes that the problem is not limited to Defense alone or solely to selected skill areas such as contract and procurement specialists or scientists and engineers. It extends to other critical organizations and occupations throughout the Federal establishment.

We are persuaded that a key lesson learned at China Lake is that the installation of alternative personnel systems is most effective when the management of the organization implementing the experimental system is prepared for and committed to making the new system work and when the General Schedule employees of the organization are all included in a single, cohesive system.

---

[1] May be found in subcommittee files.

To segregate skill areas—such as scientists and engineers or acquisition officers—invites enormous problems of personnel management for the people who run these organizations as varying standards and processes are applied for hiring, pay, training and development, rewards, recognition and retention.

There is a growing body of opinion that in the final analysis, the pay and personnel system problems are endemic throughout the Government and will not be solved without major reform. Hopefully, reform efforts would be guided by some broader testing of experimental features designed to meet the unique needs of organizations, and then applied under a consistent set of standards and criteria administered by a central authority.

This concludes my statement, Mr. Chairman. I would be willing to answer any questions.

Senator STEVENS. I didn't realize it before, but I am pleased to see that we agree—at least I agree with your panel and I was about ready to ask you if you thought that we could extrapolate from the two experiments that have taken place, in sufficient detail, to implement an across-the-board reform.

I gather from your last statement, your panel would not believe that's the case, is that right?

Mr. Kline We're not quite ready to say it with that kind of finality. There may be some additional experimentation in organizations that may have a different kind of a cultural mix. It is the same point that you made earlier about other skills in other organizations where the S&E component is not quite that dominant.

Senator STEVENS. Do you have a panel now working on the concept of a major reform to the Government compensation system?

Mr. KLINE. We don't have an active panel working any new initiative here beyond the evaluation of what has gone on up to now.

Senator STEVENS. What would it take to get you to create one?

Mr. KLINE. Well, a little money and a little time.

Senator STEVENS. How much money?

Mr. KLINE. Well, I would like to consider that, sir, and let the subcommittee know.

Senator STEVENS. Would you do that, please?

Mr. KLINE. Yes, sir.

Senator STEVENS. I appreciate your help.

I think we need some independent group to be involved. I'm not, as you heard before, I'm not in accord with the concept of appointing another commission. Appointing a commission, to me, is a way of delaying the inevitable. I think we need some people working on it and working on a draft now to see what the complexities would be and to see, with the various suggestions that have been made from China Lake and other experiments what major changes would have to be made to accomplish what we all call major reform.

Mr. KLINE. With the background of the people who worked on this, we could turn it around rather quickly. We would not be talking a years long kind of effort. It could be done with dispatch for the committee.

Senator STEVENS. What's "with dispatch," 60–90 days?

Mr. KLINE. Yes, sir.

Senator STEVENS. I would like to hear from you when the supplemental is up, let me know. I would appreciate that.

Mr. **Kline**. Yes, sir.

Senator **Stevens**. I appreciate it very much. This is the last of our series of hearings. We may have to have another one here after we have the China Lake hearings. We'll decide later whether we're going to go to San Diego or not.

Thank you very much.

The subcommittee is now in recess.

[Whereupon at 12:28, the subcommittee was recessed to reconvene at the call of the Chair.]

99TH CONGRESS
1ST SESSION

S. 1327

To amend title 5, United States Code, to modify the authority under which higher rates of pay may be established in geographic areas where the Federal Government is experiencing significant recruitment or retention problems, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 19 (legislative day, JUNE 3), 1985

Mr. TRIBLE (for himself and Mr. WARNER) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

---

A BILL

To amend title 5, United States Code, to modify the authority under which higher rates of pay may be established in geographic areas where the Federal Government is experiencing significant recruitment or retention problems, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

AUTHORITY RELATING TO HIGHER RATES OF PAY

SECTION 1. (a) Title 5, United States Code, is amended by striking out section 5303 and inserting in lieu thereof the following:

"§ 5303. Higher minimum rates

"(a) Under regulations prescribed by the President or his designee, and subject to subsection (b), when the head of an agency finds, with respect to one or more occupations in one or more areas or locations, that such agency's recruitment or retention of well-qualified individuals in positions paid under—

"(1) section 5332 of this title;

"(2) the pay scales for physicians, dentists, and nurses in the Department of Medicine and Surgery, Veterans' Administration, under chapter 73 of title 38; or

"(3) section 403 of the Foreign Service Act of 1980;

is significantly handicapped (as determined in accordance with such regulations), whether because of higher pay rates in private enterprise or otherwise, the agency head may establish for the areas or locations involved, and with respect to positions within such agency, higher minimum rates of basic pay for one or more grades or levels, occupational groups, series, classes, or subdivisions thereof, and may make corresponding increases in all step rates of the pay range involved.

"(b)(1) The authority to establish higher rates of basic pay under subsection (a) may be exercised by the head of an agency following the expiration of the 45-day period after—

"(A) the agency head provides notification to the Office of Personnel Management (or such other agency as the President may designate), in writing, of its finding under subsection (a) that a significant recruitment or retention problem exists; unless

"(B) the Office (or other agency) makes a written determination, before the expiration of such 45-day period, that the criteria for making such a finding under the applicable regulations have not been met.

Any notification under subparagraph (A) shall specify the period of time, not to exceed 2 years, for which the agency head anticipates that the authority under subsection (a) will be required.

"(2) Any authority deriving from a notification under paragraph (1) shall terminate—

"(A) after the expiration of the period of time specified in such notification; or

"(B) if, before the expiration of such period, the President or the Office (or other agency designated by the President) makes a written determination that such authority is no longer required.

"(3) A rate of pay established with respect to a position pursuant to the authority under subsection (a) shall remain in effect after the termination of such authority (as described in paragraph (2)), and shall remain subject to periodic adjustment under section 5303a of this title, unless such position is not filled as of the date on which such authority terminates or, if it is then filled by any individual, until the occurrence of any break in such individual's service.

"(c) The rate of basic pay established under this section (as adjusted under section 5303a of this title) and received by an individual immediately before a statutory increase, which becomes effective prior to, on, or after the date of enactment of the statute, in the pay schedule applicable to such individual of any pay system specified in subsection (a), shall be initially adjusted, effective on the effective date of the statutory increase, under conversion rules prescribed by the President or his designee.

"§ 5303a. Periodic increases

"(a) Under regulations prescribed by the President or his designee, any individual who is paid on an annual basis at a rate established under section 5303 of this title and who has not reached the maximum rate of pay for the grade or level of such individual's position shall be advanced in pay in accordance with this section.

"(b)(1)(A) An individual under this section within pay rate 1, 2, or 3 shall be advanced in pay successively to the next higher rate within the pay range involved at the beginning of the next pay period following the completion of a period of service, not to exceed 52 calendar weeks, as determined appropriate by the Office (or such other agency as the President may designate).

"(B) Determinations by the Office (or other agency) under subparagraph (A) may be made on an agency-by-agency basis.

"(2)(A) Periodic advancements in pay for individuals under this section within the equivalent of pay rate 4 or higher shall be in accordance with regulations which the Office (or other agency) shall prescribe.

"(B) To the extent practicable, such regulations shall be based on the provisions of paragraphs (1)(B) and (2) of section 5404(c) of this title, relating to merit increases under the performance management and recognition system.

"(3)(A)(i) Under the regulations referred to in subsection (a), and except as provided in subparagraph (B), any individual who has accrued a period of time which may be applied toward a periodic step-increase under section 5335 of this title (or comparable provisions of law) shall remain subject to such section (or other provisions) until such individual has completed the remaining amount of time required to be considered for such increase.

"(ii) This subparagraph applies with respect to any individual who, without a break in service, begins serving in a position which would otherwise be covered by this section (excluding this paragraph) after having served in the position in which the period of time referred to in clause (i) was accrued.

"(B) The regulations shall include procedures under which an individual may, upon appropriate election, become subject to paragraph (1) or (2) of this subsection, as the case may be, without regard to subparagraph (A).

"(c) An individual paid at a rate established under section 5303 of this title is not eligible for periodic step-increases under section 5335 of this title (or comparable provisions of law), except as provided in subsection (b)(3).

"(d) Under the regulations referred to in subsection (a), the benefit of advancement through the range of basic pay for a grade or level shall be preserved for any individual who is covered by this section and whose continuous service is interrupted in the public interest by service in the Armed Forces, or by service in essential non-Government civilian employment during a period of war or national emergency.

"§ 5303b. Bonus payments

"(a)(1) Under regulations prescribed by the President or his designee, and subject to subsection (b), an agency head authorized to establish rates of pay under section 5303 of this title may provide for bonus payments under this section.

"(2) A bonus payment under this section shall be equal to an amount not to exceed $10,000, as determined by the agency head.

"(b)(1) A payment may not be made to an individual under this section if such individual has not entered into an agreement with the Government providing that—

"(A) such individual will continue in the service of the agency for a period of time determined under paragraph (2); and

"(B) if voluntarily separated from the service of the agency before the end of the period agreed to, such individual will repay to the Government any amounts paid to such individual under this section.

"(2)(A) The period of service applicable in the case of an individual employed on a full-time basis shall be the equivalent of 1 year for each 10 percent of the basic pay which the bonus represents, as determined by dividing the total amount of the bonus by the individual's initial annual rate of basic pay.

"(B) This paragraph shall be applied with respect to an individual employed on other than a full-time basis under regulations prescribed to carry out this section.

"(3) If an individual fails to repay any amount required under paragraph (1)(B), such amount is recoverable by the Government from the individual or such individual's estate by—

"(A) setoff against accrued pay, compensation, amount of retirement credit, or other amount due the individual from the Government; and

"(B) any other method provided by law for the recovery of amounts owing to the Government.

Notwithstanding the preceding sentence, the head of the agency concerned may, under the regulations prescribed to carry out this section, waive in whole or in part a right of recovery under this subsection if it is shown that the recovery would be against equity and good conscience or against the public interest.

"(c) The full amount of a bonus under this section shall be paid, whether in a lump sum or in the form of periodic payments, before the end of the period of service agreed to under subsection (b).

"(d) A payment under this section is not part of an individual's basic pay.

"§ 5303c. Advances of pay

"(a) Under regulations prescribed by the President or his designee, an agency head may provide for the advance payment of basic pay, covering not more than 2 pay periods, to any individual newly appointed to a position if the rate of pay for such position is established under section 5303 of this title.

"(b) Section 5303b(b)(3) of this title applies with respect to a failure to repay any amount advanced under this section.

"§ 5303d. Higher rates for supervisors

"Under regulations prescribed by the President or his designee, an employee whose responsibilities include regularly supervising one or more individuals whose pay is established under section 5303 of this title may be paid at one of the rates of such employee's grade or level which is above the highest rate of pay being paid to any such individual, or at the maximum rate of such employee's grade or level, as provided by the regulations.".

(b) The analysis for chapter 53 of title 5, United States Code, is amended by striking out the item relating to section 5303 and inserting in lieu thereof the following:

"5303. Higher minimum rates.
"5303a. Periodic increases.
"5303b. Bonus payments.
"5303c. Advances of pay.
"5303d. Higher rates for supervisors.".

SPECIAL APPOINTMENT AUTHORITY

SEC. 2. (a) Subchapter I of chapter 33 of title 5, United States Code, is amended by adding at the end thereof the following:

"§ 3328. Appointment procedures in areas with recruitment or retention problems

"(a) Under regulations prescribed by the President or his designee, an agency which is authorized to establish rates of pay under subsection (a) of section 5303 of this title for positions within one or more occupations in one or more areas or locations may also, during the period for which the authority under such subsection is available, be authorized to fill any vacancies among such positions on an expedited basis.

"(b) The regulations prescribed under this section may include procedures under which individuals may apply to an agency directly, and the selection of an individual for appointment to a position may be made from among those so applying.".

(b) The analysis for chapter 33 of title 5, United States Code, is amended by adding after the item relating to section 3327 the following:

"3328. Appointment procedures in areas with recruitment or retention problems.".

SERVICE FOLLOWING MANDATORY TRAINING

SEC. 3. (a) Section 4108 of title 5, United States Code, is amended by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), respectively, and by inserting after subsection (a) the following:

"(b)(1) An employee selected for training by, in, or through a Government facility under this chapter shall agree in writing with the Government before assignment to training that he will—

"(A) continue in the service of his agency after the end of the training period for at least three times the length of the training period or eighteen months, whichever is greater, unless he is involuntarily separated from the service of his agency; and

"(B) pay to the Government the amount of the additional expenses incurred by the Government in connection with his training if he is voluntarily separated from the service of his agency before the end of the period for which he has agreed to continue in the service of his agency.

"(2) This subsection does not apply with respect to a period of training unless—

"(A) such training is for a period of four weeks or longer; and

"(B) the satisfactory completion of such training is part of the minimum requirements for the type of position involved, as determined under regulations prescribed under section 4118 of this title.".

(b)(1) Subsection (c) of section 4108 of title 5, United States Code, as so redesignated by subsection (a), is amended by inserting "or (b)(1)(B)" after "subsection (a)(2)".

(2) The first sentence of subsection (d) of such section, as so redesignated by subsection (a), is amended by striking out "subsection (b)" and inserting in lieu thereof "subsection (c)".

ELIMINATION OF GS-11 THRESHOLD FOR CERTAIN PAY AUTHORITY

SEC. 4. Section 5333(a) of title 5, United States Code, is amended by striking out "in GS-11 or above".

IMPROVEMENT OF GOVERNMENT RECRUITMENT EFFORTS GENERALLY

SEC. 5. Each head of an agency in the executive branch of the Federal Government is encouraged to develop and propose methods to attract talented and qualified personnel to positions of employment in the agency.

EFFECTIVE DATES

SEC. 6. (a) The amendments made by this Act shall take effect after the expiration of the 6-month period beginning on the date of the enactment of this Act.

(b) Regulations required to carry out any of the amendments made by this Act shall be prescribed as soon as possible after the date of the enactment of this Act, and shall become effective as of the effective date under subsection (a).

SUMMARY OF S. 1327. A BILL TO MODIFY THE AUTHORITY UNDER WHICH HIGHER RATES OF PAY MAY BE ESTABLISHED IN GEOGRAPHIC AREAS WHERE THE FEDERAL GOVERNMENT IS EXPERIENCING SIGNIFICANT RECRUITMENT AND RETENTION PROBLEMS.

Under current law, special salary rates may be established if two conditions are met. First, an agency must be experiencing significant staffing problems in terms of recruitment and retention. Secondly, the staffing problems must be caused by substantially higher non-federal rates of pay. This legislation includes:

- A provision allowing an agency head, not OPM, to make the finding of whether to establish special pay rates. Factors other than pay disparities, such as working conditions, fringe benefits and location could be considered when determining the need for such rates. OPM would have 45 days after the initial determination to overrule the establishment of the rates. If not overruled the authority would be good for up to two years from the time the agency finding is made.

- A provision requiring automatic step increases through step 3 of a grade. Pay increases for employees in step 4 and higher would be based to the extent practicable on the merit pay concepts of the performance management and recognition system.

- A provision allowing an agency head to provide for the payment of bonuses to employees.

- A provision allowing an agency head to provide advances of pay to newly appointed employees.

- A provision allowing higher rates of pay for supervisors.

- A provision allowing direct hire authority.

- A provision requiring employees to continue in federal service following certain training periods.

- A provision allowing an agency head to appoint an individual to a position at a rate above the minimum rate, regardless of grade.

II

99th CONGRESS
1st Session

S. 1727

To amend title 5, United States Code, to authorize alternative personnel management systems for scientific and technical personnel in the Federal Government, and for other purposes.

IN THE SENATE OF THE UNITED STATES

October 2 (legislative day, September 30), 1985

Mr. Bingaman (for himself, Mr. Goldwater, Mr. Nunn, Mr. Quayle, Mr. Chiles, Mr. Wilson, Mr. Gore, and Mr. Rockefeller) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

---

A BILL

To amend title 5, United States Code, to authorize alternative personnel management systems for scientific and technical personnel in the Federal Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Science and Technology Revitalization Act of 1985".

Sec. 2. (a)(1) Title 5, United States Code, is amended by inserting after chapter 55 the following new chapter:

"CHAPTER 56—ALTERNATIVE SCIENTIFIC AND TECHNICAL PERSONNEL MANAGEMENT SYSTEMS

"Sec.
"5601. Purposes.
"5602. Definitions.
"5603. Requirements for alternative scientific and technical personnel management systems.
"5604. Authority to establish alternative scientific and technical personnel management systems.
"5605. Special provisions relating to employment authority.
"5606. Special provisions relating to compensation.
"5607. Special retirement provisions.
"5608. Regulations, systems approval, and oversight.
"5609. Transition provisions.

"§ 5601. Purposes

"The purposes of this chapter are—

"(1) to enable the Federal Government to attract, retain, motivate, and improve the quality of Federal scientific and technical employees;

"(2) to improve the quality of laboratories operated by the Federal Government in order that the laboratories may fulfill efficiently and effectively their agency-assigned missions and become and remain centers of scientific excellence; and

"(3) to improve the overall ability of the Federal Government to perform scientific and technical work.

"§ 5602. Definitions

"For the purposes of this chapter—

"(1) 'agency' has the same meaning as provided in section 5721(1) of this title, except that the term does not include the government of the District of Columbia;

"(2) 'alternative personnel management system' means an alternative personnel management system established under section 5604 of this title;

"(3) 'career category' means a grouping of occupations or professions which are sufficiently similar that similar treatment of such positions in personnel and pay administration is appropriate;

"(4) 'compensation' means all pay, awards, differentials, and benefits, except for compensation payable for work injuries as authorized in chapter 81 of this title and benefits payable under subchapter III of chapter 83 of this title;

"(5) 'employee' has the same meaning as provided in section 2105 of this title, but does not include a prevailing rate employee (as defined in section 5342(a)(2) of this title);

"(6) 'Office' means the Office of Personnel Management;

"(7) 'performance' means how well an employee accomplishes assigned duties and responsibilities as measured by such factors as quality, quantity, timeliness, and manner of performance;

"(8) 'salary structure' means a range of basic pay consisting of minimum and maximum rates;

"(9) 'scientific and technical employee' means an employee of an agency, including a manager and a supervisor—

"(A) who—

"(i) is required to have an advanced level of knowledge in one of the mathematical, computer, physical, or natural sciences or in chemical, electrical, mechanical, or other engineering and is customarily expected to have acquired such advanced level of knowledge in a prolonged program of specialized intellectual instruction and study in an institution of higher education (rather than in a program of general academic education, a program of apprenticeship, or a program of training in the performance of routine mental, manual, mechanical, or physical activities); and

"(ii) is engaged in the performance of work which consistently requires the exercise of discretion and judgment and is of such character that the output or other result of such work cannot be standardized in relation to any period of time; or

"(B) who has completed a prolonged program of specialized intellectual instruction and study described in subparagraph (A)(i) of this paragraph and is performing related work under appropriate direction or guidance to qualify the employee as a scientific and technical employee described in subparagraph (A) of this paragraph;

"(10) 'senior scientific and technical employee' means a scientific and technical employee who is covered by an alternative personnel management system and is serving in a position equivalent to a position in the Senior Executive Service, but does not include an employee whose position is required to be filled by an appointment by the President by and with the advice and consent of the Senate; and

"(11) 'special award' means a nonmonetary award or a lump-sum payment based on tangible savings or intangible benefits to the Federal Government and given to reward special acts or services outside normal job responsibilities, including suggestions and inventions, a scientific achievement, or an act of heroism.

"§ 5603. Requirements for alternative scientific and technical personnel management systems

"(a) The Office shall prescribe, in regulations, requirements for agency alternative personnel management systems for scientific and technical employees in accordance with the purposes set out in section 5601 of this title.

"(b) In prescribing regulations under subsection (a) of this section, the Office shall take into account the principles that—

"(1) equal rates of pay should be paid for substantially equal work; and

"(2) pay distinctions should be based on (A) substantial differences in skills, effort, responsibilities, and working conditions, and (B) performance appraisals.

"(c) The regulations prescribed by the Office for agency alternative personnel management systems under subsection (a) of this section shall—

"(1) require the establishment of job evaluation plans which reflect internal job alignment that is based upon the level of skill, effort, responsibility, and working conditions required to perform the work;

"(2) include procedures for the Office—

"(A) to establish, for positions of scientific and technical employees, salary structures which (i) are competitive with salary structures applicable to similar positions outside the Federal Government, and (ii) reflect job evaluations made under an internal job evaluation system which recognizes labor market factors as the primary basis for setting pay; and

"(B) to adjust such salary structures annually to enable agencies to implement sections 5604(b)(3) and 5606(a) of this title;

"(3) include methods for determining appropriate compensation for an employee, including basic pay, which are consistent with the purposes of this chapter and provide for consideration of such factors as the employee's level of experience and achievement, labor market factors, and job responsibilities; and

"(4) establish a Senior Scientific and Technical Personnel Service and authorize agencies to include in such Service senior scientific and technical employees.

"(d)(1) The Office shall include in the regulations prescribed under subsection (a) of this section provisions for the following matters under alternative personnel management systems:

"(A) Utilization of compensation surveys.

"(B) Interrupted service.

"(C) Overtime pay.

"(D) Compensatory time.

"(E) Sunday pay.

"(F) Holiday pay.

"(G) Standby or on-call pay.

"(H) Night differential pay.

"(I) Hazardous pay.

"(J) Environmental pay.

"(K) The conversion of a position from and to the General Schedule, the performance management and recognition system under chapter 54 of this title, the Senior Executive Service, or another system as appropriate upon the establishment or disestablishment of an alternative personnel management system.

"(L) The transfer of an individual to, from, or between alternative personnel management systems.

"(2) The Office may include in the regulations issued under subsection (a) of this section provisions to limit the cost and amount of pay, differentials, and benefits and provisions for retirement plans authorized by section 5607 of this title.

"(e) The regulations relating to the Senior Scientific and Technical Personnel Service prescribed under subsection (c)(5) of this section shall authorize—

"(1) accumulation of annual leave in the same manner as is authorized for members of the Senior Executive Service under section 6304 of this title;

"(2) sabbaticals in the same manner as is authorized for career appointees of the Senior Executive Service under section 3396(c) of this title;

"(3) presidential rank awards in the same manner as is authorized for career appointees in the Senior Executive Service under section 4507 of this title;

"(4) the payment of the travel expenses of a Senior Scientific and Technical Personnel Service appointee to the appointee's first post of duty in the same manner as is authorized for the members of the Senior Executive Service under section 5723 of this title;

"(5) the payment of travel expenses of Senior Scientific and Technical Personnel Service candidates for preemployment interviews requested by an agency in the same manner as is authorized for candidates for Senior Executive Service positions under section 5752 of this title; and

"(6) the retention of Senior Scientific and Technical Personnel Service pay and benefits by an employee in such Service who receives a Presidential appointment in the same manner as is authorized for career appointees in the Senior Executive Service under section 3392(c) of this title.

"§ 5604. Authority to establish alternative scientific and technical personnel management systems

"(a) Under regulations prescribed by the Office pursuant to section 5603 of this title, the head of each agency may establish alternative personnel management systems for scientific and technical employees of the agency.

"(b) An alternative personnel management system established by an agency under subsection (a) of this section—

"(1) may identify separate career categories for employees in positions which are subject to the system;

"(2) shall include a performance appraisal system which (A) provides for peer comparison and ranking when considered appropriate by the head of the agency, and (B) is otherwise in accordance with section 4302 of this title;

"(3) shall provide for the rate of basic pay of an employee to be set and adjusted within salary structures based on such factors as the experience and achievement of the employee, labor market factors, position in a pay range, job responsibilities, rates of pay for similar jobs outside the Federal Government, and (consistent with section 5334 of this title) changes in positions or types of appointments;

"(4) shall provide supervisory and managerial pay differentials (which shall be considered a part of basic pay only for the purposes of chapters 81 and 87 of this title and subchapter III of chapter 83 of this title);

"(5) may authorize special awards under this chapter (which shall not be considered a part of basic pay for any purpose);

"(6) shall authorize performance recognition in the form of—

"(A) a lump-sum payment (which shall not be considered a part of basic pay for any purpose);

"(B) an increase of an employee's rate of basic pay within a pay range or to a higher pay range; or

"(C) nonmonetary recognition;

"(7) shall provide special procedures for recruitment for an appointment to positions of employment;

"(8) shall provide an employee development program which may include provisions for sabbaticals; and

"(9) shall provide for job evaluations.

"(c)(1) Under an alternative personnel management system of an agency, the head of the agency may designate certain scientific and technical positions in the agency (including managerial and supervisory positions) as positions which require specially qualified scientific and technical employees. The head of an agency shall exercise the authority prescribed in this paragraph primarily in the case of positions in Federal Government laboratories which are under the jurisdiction of the agency.

"(2) The number of positions in an agency which are designated for the purpose of paragraph (1) of this subsection may not exceed the number equal to 5 percent of the total number of positions covered by alternative personnel management systems of the agency.

"§ 5605. Special provisions relating to employment authority

"(a) Except as otherwise provided in this section, the provisions relating to employment authority included in an alternative personnel management system shall be consistent with civil service laws relating to employment authority.

"(b) The head of an agency may employ scientific and technical employees in positions which are under an alternative personnel management system without regard to section 3101 of this title.

"(c)(1) Notwithstanding any other provision of law, except as provided in paragraph (2) of this subsection, an individual's examination under an alternative personnel management system shall be complete and selection for appointment to a position covered by the system shall become final only after the individual has satisfactorily completed a probationary period of service of 3 years in accordance with regulations prescribed by the Office.

"(2) An employee who has satisfactorily completed a probationary or trial period of service and a total of 3 years of service in the competitive service, excepted service, or Senior Executive Service is not required by paragraph (1) of this subsection to complete an additional probationary period of service under an alternative personnel management system.

"(d) The head of an agency may make an appointment to a position designated under section 5604(c) of this title as requiring a specially qualified scientific and technical employee without regard to provisions of law requiring competitive examinations.

"§ 5606. Special provisions relating to compensation

"(a) The head of an agency may, pursuant to the provisions of an alternative personnel management system of the agency (1) classify the positions of scientific and technical employees covered by the system, and (2) set and annually adjust the compensation of such employees to be competitive with compensation practices for personnel employed in positions outside the Federal Government which are similar to the positions of such employees.

"(b) Except as provided in subsection (c) of this section, the rate of basic pay of an individual employed under an alternative personnel management system may not exceed the rate of basic pay for level IV of the Executive Schedule under section 5315 of this title.

"(c)(1) The head of an agency designating a position under section 5604(c) of this title as a position which requires a specially qualified scientific and technical employee may set the maximum rate of basic pay for such position at a level which is competitive with rates of pay of scientific and technical personnel for work performed in similar positions outside the Federal Government, including the rates of pay of scientific and technical personnel at national laboratories owned by the Federal Government and operated by a contractor.

"(2) A maximum rate of pay set under paragraph (1) of this subsection shall not be less than the rate of basic pay for level IV of the Executive Schedule under section 5315 of this title and, if higher, not more than the maximum rate of basic pay of the head of any laboratory referred to in such paragraph.

"(d) Notwithstanding sections 1341, 1342, 1349 through 1351 of title 31 and the provisions of subchapter II of chapter 15 of such title, whenever the rate of basic pay for level IV of the Executive Schedule is increased pursuant to section 5318 of this title, the rates of basic pay of scientific and technical employees serving in positions covered by an alternative personnel management system in an agency may be adjusted by the head of the agency if appropriate to maintain rates of basic pay of such employees at levels which are competitive with rates of basic pay of scientific and technical personnel in similar positions outside the Federal Government.

"(e) For the purpose of section 5941 of this title, rates of basic pay fixed under this chapter shall be considered to be fixed by statute.

"(f) The rate of basic pay set for a scientific and technical employee under an alternative personnel management system may not be increased solely by reason of an increase, authorized under this chapter, in the minimum rate of basic pay set for the pay range of the employee's position. If such minimum rate of basic pay, after the increase, exceeds the rate of basic pay of such employee, the employee's position may be placed in the next lower pay range.

"(g) A lump-sum performance or a special award may be paid under this chapter to an employee without regard to any other provision of law limiting either the amount or the rate of basic pay that an employee may receive in a single year.

"§ 5607. Special retirement provisions

"(a) The head of an agency may, under an alternative personnel management system, establish a special retirement program for scientific and technical employees covered by the agency. Enrollment of any such employee shall be voluntary.

"(b)(1) Under a retirement program established under subsection (a) of the section, an agency employing a scientific and technical employee enrolled in the program may deduct and withhold from the basic pay of the employee such amount not exceeding 10 percent of the employee's rate of basic pay as the employee elects. Amounts deducted and withheld under the program shall be deposited in interest-earning accounts. The agencies may contribute for the benefit of the employee, for deposit in like manner, an amount not exceeding one-half of the amount of the employee's contribution.

"(2) For purposes of the Internal Revenue Code of 1954—

"(A) the amount of an employee's pay which is deducted and withheld as provided in paragraph (1) of this subsection and the amount of the employing agency's contributions for the benefit of the employee under such paragraph shall not be included in the gross income of the employee; and

"(B) the accounts in which such amounts are deposited under such paragraph shall be treated, for purposes of determining when such amounts and the interest earned on such amounts are included in the income of the employee, as described in section 401(a) of such Code.

"§ 5608. Regulations, systems approval, and oversight

"(a) The Office may prescribe such additional regulations as the Office considers appropriate to carry out this chapter.

"(b) The Office shall review each alternative personnel management system proposed to be established by an agency under section 5604 of this title to determine whether the system meets the requirements of law and the regulations issued under this chapter.

"(c) The Office shall monitor the implementation of alternative personnel management systems and evaluate such systems to ensure compliance with the provisions of this chapter, other applicable provisions of law, and the regulations prescribed by the Office under this chapter.

"(d) The Office may require an agency, with appropriate notice, to make changes in any alternative personnel management system of the agency and, if the agency does not comply with such requirement and the system is not administered in accordance with the purposes set out in section 5601 of this title, as determined by the Office, may terminate or modify all or part of the system.

"§ 5609. Transition provisions

"(a) Each employee serving in a position at the time the position is designated to become subject to an alternative personnel management system shall be given written notice of the designation in accordance with procedures prescribed by the agency establishing the system. The rate of basic pay of such employee may not be reduced by reason of the establishment of the system.

"(b)(1) Each employee referred to in subsection (a) of this section shall be paid—

"(A) in the case of an employee serving in a position under the General Schedule on the date the position becomes subject to an alternative personnel management system, a lump-sum pro rata share of the equivalent of any within-grade increase which would have been due the employee under section 5335 of this title, computed as provided in paragraph (2) of this subsection, and

"(B) in the case of an employee serving in a position subject to chapter 54 of this title on such date, a lump-sum pro rata share of the equivalent of an employee's merit increase which would have been due under such chapter, computed as provided in paragraph (2) of this subsection,

taking into account the performance requirements applicable to such increase.

"(2) For the purposes of paragraph (1) of this subsection, the pro rata share of the equivalent of an increase referred to in such paragraph shall be computed through the day before the date referred to in such paragraph.

"(3) The amount of a lump-sum payment made under paragraph (1) of this subsection shall not be considered part of basic pay for any purpose.

"(c) Any increases authorized under section 5305(a) of this title which occur before conversion of a position to a position covered by an alternative personnel management system shall be given to the employee serving in such position.

"(d)(1) Pursuant to regulations prescribed by the Office, each agency which establishes an alternative personnel management system shall prescribe procedures to convert employees to the system.

"(2) Pursuant to regulations prescribed by the Office, each agency which establishes an alternative personnel management system shall prescribe procedures to convert employees to the General Schedule, the performance management and recognition system under chapter 54 of this title, the Senior Executive Service, or another appropriate system in the event the alternative personnel management system is terminated.".

(2) The table of chapters at the beginning of part III of such title is amended by inserting after the item relating to chapter 55 the following new item:

"56. Alternative Scientific and Technical Personnel Management Systems .... 5601.".

(b) The Office of Personnel Management shall issue regulations under chapter 56 of title 5, United States Code (as added by subsection (a)(1) of this section), not later than 6 months after the date of enactment of this Act.

CONFORMING AMENDMENTS

SEC. 3. (a) Section 2102(a)(1) of title 5, United States Code, is amended—

(1) by striking out "and" at the end of subparagraph (B);

(2) by inserting "and" at the end of subparagraph (C); and

(3) by inserting after subparagraph (C) the following new subparagraph:

"(D) positions designated under section 5604(c) of this title as requiring the services of specially qualified scientific and technical employees.".

(b) Section 2108(3) of such title is amended by striking out "or the General Accounting Office" and inserting in lieu thereof "the General Accounting Office, or the Senior Scientific and Technical Personnel Service referred to in section 5603(c)(5) of this title".

(c) Section 3104(a)(2) of such title is amended to read as follows:

"(2) The provisions of paragraph (1) of this subsection shall not apply to any Senior Executive Service position (as defined in section 3132(a) of this title) or to any position designated under section 5604(c) of this title as requiring a specially qualified scientific and technical employee.".

(d) Subsection (a) of section 3132 of such title is amended—

(1) by striking out "or" at the end of paragraph (2)(ii);

(2) by inserting "or" at the end of paragraph (2)(iii); and

(3) by adding at the end thereof the following:

"(iv) any position included in an alternative personnel management system established under section 5604 of this title;".

(e) Subsection (f) of section 4303 of such title is amended—

(1) by striking out "or" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof: ", or"; and

(3) by adding at the end thereof the following new paragraph:

"(4) the reduction in pay, the reduction from one pay range to another, or the removal of an employee who, pursuant to section 5605(c) of this title, is serving a probationary or trial period under an initial appointment to a position covered by an alternative personnel management system established under section 5604 of this title.".

(f) Section 4501(2) of such title is amended—

(1) by striking out "and" at the end of subparagraph (A);

(2) by inserting after subparagraph (B) the following:

"(C) an individual employed in a scientific and technical position covered by an alternative personnel management system established under section 5604 of this title; and".

(g) Subsection (c) of section 5102 of such title is amended—

(1) by striking out "or" at the end of paragraph (26);

(2) by striking out the period at the end of paragraph (27) and inserting in lieu thereof "; or"; and

(3) by adding at the end thereof the following new paragraph:

"(28) Employees covered by alternative personnel management systems established under section 5604 of this title.".

(h) Section 5363 of such title is amended by adding at the end thereof the following new subsection:

"(d) The pay retention rights applicable to an employee covered by an alternative personnel management system established under section 5604 of this title shall be the pay retention rights prescribed by the Office of Personnel Management in regulations issued under chapter 56 of this title.".

(i) Section 5373 of such title is amended—

(1) by striking out "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; or"; and

(3) by adding at the end thereof the following new paragraph:

"(5) chapter 56 of this title.".

(j) Section 7501(1) of such title is amended to read as follows:

"(1) 'employee' means an individual in the competitive service who is not serving a probationary or trial period under an initial appointment or who, in the case of an individual other than one serving in a position in an alternative personnel management system established under section 5604 of this title, has completed 1 year of current continuous employment in the same or similar position or positions under other than a temporary appointment limited to 1 year or less; and".

(k)(1) Subsection (a)(1)(B) of section 7511 of such title is amended by striking out the semicolon at the end thereof and inserting in lieu thereof: "or who has completed a probationary period of service as provided in section 5605(c) of this title in a position that is covered by an alternative personnel management system established under section 5604 of this title;".

(2) Subsection (b) of such section is amended—

(A) by striking out the period at the end of paragraph (2) and inserting in lieu thereof: "; or"; and

(B) by adding at the end thereof the following new paragraph:

"(3) who is serving a probationary period pursuant to section 5605(c)(1) of this title in a position that is covered by an alternative personnel management system established under section 5604 of this title.".

GENERAL ACCOUNTING OFFICE REVIEW AND EVALUATION

SEC. 4. (a) The Comptroller General of the United States shall review and evaluate alternative scientific and technical personnel management systems established under section 5604 of title 5, United States Code (as added by section 2 of this Act).

(b)(1) Not later than 5 years after the date of enactment of this Act, the Comptroller General shall transmit to the Congress and to the Office of Personnel Management a report on the review and evaluation carried out under subsection (a).

(2) The report required by paragraph (1) shall include an evaluation of the implementation and operation of the alternative personnel management systems referred to in subsection (a), a comparison of the cost of the systems with the cost of the classification and pay systems which would otherwise be applicable to employees of the Federal Government covered by such systems as provided by law, an assessment of the acceptability of the systems to employees and managers of the Federal Government, and such recommendations for changes or improvements in the systems as the Comptroller General considers appropriate.

SUMMARY OF S. 1727, "FEDERAL SCIENCE AND TECHNOLOGY REVITALIZATION ACT OF 1985", AS INTRODUCED BY SENATOR BINGAMAN AND COSPONSORED BY SENATORS GOLDWATER, NUNN, QUAYLE, CHILES, WILSON, GORE, AND ROCKEFELLER

This bill adds an new Chapter 56 to Title 5 U.S.C. The bill's purpose is to improve the life cycle of Federal scientific and technical employees, improve quality of government laboratories, and improve the government's overall ability to perform scientific and technical work.

- Creates the Alternative Federal Scientific and Technical Personnel Management System (AFSTPMS). Provides flexibility in salary structure and increases emphasis on performance related salary decisions. Places high level of flexibility at agency level.

- Covered employees' salaries would be limited to Level IV of the Executive Schedule and it establishes a Senior Scientific and Technical Personnel Service for the highest grades.

- Provides for the continuance of the existing demonstration projects at the Naval Ocean Systems Center in San Diego and the Naval Weapons Center at China Lake.

99TH CONGRESS
2D SESSION

S. 2082

To amend title 10, United States Code, to improve the management of major defense acquisition programs, to establish a Defense Acquisition Service, and to limit employment contacts between senior officials of the Department of Defense and defense contractors.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 20 (legislative day, FEBRUARY 17), 1986

Mr. QUAYLE introduced the following bill; which was read twice and referred to the Committee on Armed Services

---

A BILL

To amend title 10, United States Code, to improve the management of major defense acquisition programs, to establish a Defense Acquisition Service, and to limit employment contacts between senior officials of the Department of Defense and defense contractors.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Defense Acquisition Enterprise and Initiative Act of 1986".

DEFENSE ENTERPRISE PROGRAMS

SEC. 2. (a)(1) Part IV of subtitle A of title 10, United States Code, is amended by inserting after chapter 131 the following new chapter:

"CHAPTER 132—DEFENSE ENTERPRISE PROGRAMS

"Sec.
"2221. Definitions.
"2222. Defense enterprise programs; designation and management of programs.
"2223. Defense enterprise program managers.
"2224. Defense enterprise program staff.
"2225. Authorization policy for defense enterprise programs.

"§ 2221. Definitions

"In this chapter:

"(1) 'Agency' means an agency named in clause (1), (2), (3), or (4) of section 2303(a) of this title.

"(2) 'Defense Acquisition Service' means the Defense Acquisition Service referred to in section 201 of this title.

"(3) 'Defense enterprise program' is any major defense acquisition program designated by the head of an agency under section 2222 of this title.

"(4) 'Head of an agency' means the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force.

"(5) 'Major defense acquisition program' has the same meaning as provided in section 139a(a)(1) of this title.

"§ 2222. Defense enterprise programs; designation and management of programs

"(a) The head of an agency, with the approval of the Secretary of Defense, may designate any major defense acquisition program conducted by such agency as a defense enterprise program.

"(b)(1) A defense enterprise program shall be managed by a program manager appointed as provided in section 2223 of this title.

"(2)(A) A defense enterprise program manager of an agency shall report to and be under the direction, control, and authority of the head of such agency or a designee who meets the requirements of subparagraph (B). A defense enterprise program manager shall not be subject to or be required to report to any other officer or employee of the agency.

"(B) For purposes of subparagraph (A), a designee of a head of an agency is an individual who is under the direction, control, and authority of the head of such agency and who reports only to the head of such agency on defense enterprise programs.

"(c)(1) A defense enterprise program shall not be subject to any acquisition regulation, policy, directive, or administrative rule or guideline relating to the acquisition activities of the Department of Defense other than the Federal Acquisition Regulation and regulations that implement or supplement the Federal Acquisition Regulation.

"(2) Paragraph (1) shall not be construed to limit the application of Federal legislation relating to the acquisition activities of the Department of Defense.

"§ 2223. Defense enterprise program managers

"(a) The head of an agency conducting a defense enterprise program shall appoint a program manager for such program.

"(b)(1) The head of an agency shall select a defense enterprise program manager from among civilian employees of the Defense Acquisition Service who meet the requirements of paragraph (2) or members of the armed forces who meet such requirements.

"(2) A defense enterprise program manager shall have at least 8 years of experience in acquisition, support, and maintenance of weapon systems.

"(3) A member of the armed forces may be selected to be a defense enterprise program manager without regard to the grade of the member or any administrative policy relating to the duty assignments of members of the armed forces.

"(c)(1) The term of appointment of a defense enterprise program manager shall be at least (A) 4 years, or (B) the period beginning on the date of the appointment and ending on the first date (after such date of appointment) on which the defense enterprise program reaches a defense systems acquisition review council milestone established for the program, whichever period is shorter.

"(2) A defense enterprise program manager of an agency may be removed by the head of the agency only for inadequate performance or to be appointed defense enterprise program manager of a more important or higher priority defense enterprise program (as determined by such head of an agency).

"(d)(1) Under regulations prescribed by the Secretary of Defense, each year the person to whom a defense enterprise program manager reports pursuant to section 2222(b)(2) of this title shall formally evaluate the performance of such manager.

"(2) In evaluating the performance of a manager of a defense enterprise program, the person making the evaluation shall take into consideration the extent to which the manager has been able to achieve the objectives of the program, including quality, timeliness, and cost objectives, and any comments received pursuant to paragraph (3).

"(3) Under regulations prescribed by the Secretary of Defense, each officer or employee of an agency and each member of the armed forces who, except for section 2222(b)(2) of this title, would supervise or control the manager of a defense enterprise program, receive reports on the program from such manager, or have the authority to approve or disapprove the decisions of such manager in conducting the program may submit to the person evaluating such manager comments on the performance of such manager.

"§ 2224. Defense enterprise program staff

"(a)(1) The manager of a defense enterprise program may establish a senior staff to assist in the management of the program. The manager may select the members of the senior staff from among members of the Defense Acquisition Service and members of the armed forces.

"(2) Members of the armed forces who are selected for positions in the senior staff of a defense enterprise program shall be assigned to such positions without regard to any administrative policy relating to the assignment of members of the armed forces.

"(b)(1) A defense enterprise program manager may appoint a technical staff, including experts in contracting, auditing, testing, and logistics, to enable the manager to manage the program without the technical assistance of another organizational unit of an agency.

"(2) A defense enterprise program manager of an agency shall appoint the members of his technical staff from among members of the Defense Acquisition Service, other officers and employees of the agency, and members of any branch of the armed forces who are reasonably available for such appointment, as determined by the Secretary concerned. In making determinations of availability for the purpose of this paragraph, the Secretary concerned shall, to the maximum extent practicable, find that persons selected for appointment to a technical staff are reasonably available for such appointment.

"§ 2225. Authorization policy for defense enterprise programs

"(a) It is the policy of the Congress to authorize at any one time in connection with any defense enterprise program the appropriation of sufficient funds to carry out the program through at least one defense systems acquisition review council milestone established for the program.

"(b) The Secretary of Defense shall specify in each authorization request submitted to the Congress for a defense enterprise program the amount of funds necessary to carry out the program through at least one defense systems acquisition review council milestone established for the program.".

(2) The table of chapters at the beginning of part IV of such subtitle is amended by inserting after the item relating to chapter 131 the following new item:

"132. Defense Enterprise Programs .... 2221".

(b) A person may be appointed to a position of defense enterprise program manager or to a position on the senior staff of a defense enterprise program under section 2223(b) or 2224(a), respectively, of title 10, United States Code (as added by subsection (a)(1)), before the date on which the Defense Acquisition Service referred to in such sections is established. The requirement for a person so appointed to be a member of the Defense Acquisition Service (as prescribed in each such section) and the civil service laws relating to the examination and selection of persons for appointment to civilian positions in the Federal Government shall not apply to the appointment of a civilian to such position before such date.

DEFENSE ACQUISITION SERVICE

SEC. 3. (a)(1) Chapter 8 of title 10, United States Code, is amended—

(A) by inserting before section 191 the following: "SUBCHAPTER I—DEFENSE INTELLIGENCE AGENCY"; and

(B) by adding at the end thereof the following new subchapter:

"SUBCHAPTER II—DEFENSE ACQUISITION SERVICE

"Sec.
"201. Establishment of the Defense Acquisition Service.
"202. Appointments in the Defense Acquisition Service.
"203. Assignments and duties of members of the Defense Acquisition Service.
"204. Rates of pay.
"205. Performance awards in the Defense Acquisition Service.
"206. Performance evaluations; use of evaluations.
"207. Personnel actions.
"208. Regulations.

"§ 201. Establishment of the Defense Acquisition Service

"(a) There is in the Department of Defense a Defense Acquisition Service consisting of not more than 10,000 civilian positions in the military departments.

"(b) The number of Defense Acquisition Service positions in a military department shall be determined by the Secretary of Defense and shall be subject to the limitations on personnel strengths applicable to such department.

"§ 202. Appointments in the Defense Acquisition Service

"(a) The Secretary of each military department may make appointments to positions in the Defense Acquisition Service.

"(b) At least 30 percent of all persons appointed to Defense Acquisition Service positions by the Secretary of a military department in any fiscal year shall be appointed to entry level positions.

"(c)(1) Persons shall be selected for appointment to entry level positions in the Defense Acquisition Service on the basis of competitive written examinations and oral interviews conducted by appropriate officers and employees of the Department of Defense and members of the armed forces. The competitive written examination may not be given to a person who does not meet the minimum education, training, and experience requirements prescribed by the Secretary of Defense.

"(2) Persons may be selected for appointment to Defense Acquisition Service positions other than entry level positions without written examination or oral interview. Selection for appointment to such positions shall be based on education, training, experience, and demonstrated ability in acquisition matters.

"(d)(1) Appointments to Defense Acquisition Service positions shall be subject to regulations prescribed by the Secretary of Defense.

"(2) The regulations shall include qualification requirements developed by the Secretary of Defense.

"(3) The Secretary of Defense may provide for a period of probation before any appointment to the Defense Acquisition Service becomes final.

"§ 203. Assignments and duties of members of the Defense Acquisition Service

"(a) Members of the Defense Acquisition Service appointed by the Secretary of a military department shall be assigned to perform appropriate acquisition duties in the department, as determined by the Secretary.

"(b) A member of the Defense Acquisition Service may be assigned individually to an acquisition position or to a particular acquisition program or may be assigned as a part of a team to a particular acquisition program.

"§ 204. Rates of pay

"(a) Subject to the requirements of this section, the Secretary of Defense shall establish the rates of basic pay for the Defense Acquisition Service.

"(b) The minimum rate of basic pay for positions in the Defense Acquisition Service shall be equal to the minimum rate of basic pay for grade GS-7 of the General Schedule. The maximum rate of basic pay for positions in the Defense Acquisition Service shall be equal to the maximum rate of basic pay established for the Senior Executive Service under section 5382 of title 5. Sections 5308 and 5373 of such title shall not apply to the rates of basic pay established under this subsection.

"(c) Subject to subsection (b), effective at the beginning of the first applicable pay period commencing on or after the first day of the month in which an adjustment takes effect under section 5305 of title 5 in the rates of basic pay under the General Schedule, each rate of basic pay for the Defense Acquisition Service shall be adjusted by an amount determined by the President to be appropriate. The adjusted rates of basic pay for the Defense Acquisition Service shall be included in the report transmitted to the Congress by the President under section 5305(a)(3) or 5305(c)(1) of such title.

"(d) The rates of basic pay that are established and adjusted under this section shall be published in the Federal Register and shall supersede any prior rates of basic pay applicable to members of the Defense Acquisition Service.

"(e) The Secretary of a military department who appointed a member of the Defense Acquisition Service shall determine, in accordance with criteria established by the Director of the Office of Personnel Management, which of the rates of basic pay established under subsection (a) shall be paid to such member. The Secretary shall make his determination in the case of any person on the basis of the person's qualifications, experience, and ability and without regard to the grade (or similar status) of the position to which the member is appointed.

"(f)(1) In no event may the aggregate amount paid to a member of the Defense Acquisition Service during any fiscal year under this section and section 205 of this title exceed the annual rate payable for positions at level I of the Executive Schedule in effect at the end of such fiscal year.

"(2)(A) Any amount which is not paid to a member of the Defense Acquisition Service during a fiscal year because of the limitation under paragraph (1) shall be paid to that member in a lump sum at the beginning of the following fiscal year.

"(B) Any amount paid under this paragraph during a fiscal year shall be taken into account for purposes of applying the limitation under paragraph (1) with respect to such fiscal year.

"(C) The Office of Personnel Management shall prescribe regulations, consistent with section 5582 of title 5, under which payment under this paragraph shall be made in the case of any individual whose death precludes payment under subparagraph (A).

"(g) Except for any pay adjustment under subsection (c), the rate of basic pay for a member of the Defense Acquisition Service may not be adjusted more than once during any 12-month period.

"(h) The rate of basic pay for a member of the Defense Acquisition Service may be reduced only if the member is given written notice of the reduction at least 15 days in advance of the reduction.

"§ 205. Performance awards in the Defense Acquisition Service

"(a)(1) To encourage excellence in performance by members of the Defense Acquisition Service, performance awards shall be paid to members in accordance with the provisions of this section.

"(2) A performance award shall be paid in a lump sum and shall be in addition to the basic pay paid under section 204 of this title.

"(b)(1) A performance award may not be paid under this section to any member of the Defense Acquisition Service whose job performance was determined to be less than fully successful (or the equivalent) at the time of the member's most recent performance evaluation under section 206 of this title.

"(2) The amount of a performance award paid to a member of the Defense Acquisition Service under this section shall be determined by the Secretary who appointed the member to the Service. However, the amount of an award may not be less than the amount equal to 5 percent of the member's annual rate of basic pay nor more than the amount equal to 20 percent of such rate.

"(3) The aggregate amount that may be paid under this section by a military department in any fiscal year may not exceed the greater of—

"(A) an amount equal to 3 percent of the aggregate amount of basic pay paid to members of the Defense Acquisition Service in such department during the preceding fiscal year; or

"(B) an amount equal to 15 percent of the average of the annual rates of basic pay paid to members in such department during the preceding fiscal year.

"(c) The Director of the Office of Personnel Management may issue guidance to the military departments concerning the proportion of the salary expenses of the Defense Acquisition Service that may be appropriately applied to payment of performance awards and the distribution of awards.

"§ 206. Performance evaluations; use of evaluations

"(a) The performance of each member of the Defense Acquisition Service shall be evaluated at least once each year.

"(b) Under regulations prescribed by the Secretary of Defense, an appointing authority—

"(1) may increase the rate of basic pay of a member of the Defense Acquisition Service to a rate established under section 204 of this title for overall performance which is rated as fully successful or above (or a similar rating); or

"(2) may reduce the rate of basic pay of a member of the Defense Acquisition Service to a rate established under such section or remove such member from the Defense Acquisition Service for unacceptable performance (within the meaning of section 4301(3) of title 5).

Actions under this subsection shall be based on the performance evaluations of the member.

"§ 207. Personnel actions

"(a) As used in this section—

"(1) 'agency' has the same meaning provided in section 3132(a)(1) of title 5; and

"(2) 'personnel action' means—

"(A) any appointment, promotion, assignment, determination of rate of basic pay, performance award, removal, or performance evaluation; and

"(B) any decision, recommendation, examination, or ranking provided for under this subchapter which relates to any action referred to in subclause (A).

"(b) All personnel actions in the case of a member of the Defense Acquisition Service who has completed a probationary period of service applicable to such member under section 202(d)(3) of this title shall be taken in accordance with the merit principles prescribed in section 2301(b) of title 5.

"(c)(1) A member of the Defense Acquisition Service who was appointed from a civil service position held under a career or career-conditional appointment (or an appointment of equivalent tenure, as determined by the Office of Personnel Management) and who, for reasons other than misconduct, neglect of duty, or malfeasance, is removed from the Defense Acquisition Service during a probationary period is entitled to be placed in a civil service position in any agency.

"(2) A member of the Defense Acquisition Service who is removed from the Defense Acquisition Service, other than during a probationary period, for unacceptable performance, as determined under section 206 of this title, is entitled to be placed in a civil service position in any agency.

"§ 208. Regulations

"The Secretary of Defense shall issue such regulations as may be necessary to carry out the provisions of this subchapter.".

(2) The table of sections at the beginning of such chapter is amended by inserting before the item relating to section 191 the following:

"Subchapter	Sec.
"I. Defense Intelligence Agency	191.
"II. Defense Acquisition Service	201.

"SUBCHAPTER I—DEFENSE INTELLIGENCE AGENCY".

(b) Notwithstanding section 201 of title 10, United States Code (as added by subsection (a)(1)(B)), there may not be more than 350 members of the Defense Acquisition Service referred to in such section in the Department of the Army, the Department of the Navy, or the Department of the Air Force in fiscal year 1987, not more than 700 in any such department in fiscal year 1988, and not more than 1,000 in any such department in fiscal year 1989.

PROHIBITED PRIVATE EMPLOYMENT CONTACTS

SEC. 4. (a)(1) Chapter 141 of title 10, United States Code, is amended by inserting after section 2397a the following new section:

"§ 2397b. Prohibition on private employment contacts between certain Department of Defense officials and defense contractors

"(a) In this section:

"(1) 'Covered senior defense official' means—

"(A) the Deputy Secretary of Defense;

"(B) the Under Secretary of Defense for Research and Engineering;

"(C) the Assistant Secretary of Defense for Acquisition and Logistics;

"(D) the Secretary of the Army;

"(E) the Secretary of the Navy;

"(F) the Secretary of the Air Force;

"(G) the under secretary of each military department;

"(H) the Assistant Secretary of the Army for Research, Development and Acquisition;

"(I) the Assistant Secretary of the Navy for Shipbuilding and Logistics;

"(J) the Assistant Secretary of the Navy for Research, Engineering and Systems;

"(K) the Assistant Secretary of the Air Force for Research, Development, and Logistics; and

"(L) any other official in the Department of Defense who is appointed by the President and who has been designated by the President as a covered senior defense official for purposes of this section in an executive order issued not less than

180 days before the date on which such official is appointed to the position of such official.

"(2) 'Defense contractor' has the same meaning provided in section 2397(a)(2) of this title.

"(3) 'Employment' has the same meaning provided in section 2397a(a)(5) of this title.

"(b) A covered senior defense official may not contact a defense contractor regarding future employment opportunities for the official with the defense contractor.

"(c) A covered senior defense official shall immediately terminate any contact made by a defense contractor with the official regarding future employment opportunities for the official with the defense contractor.

"(d)(1) Upon termination of Federal Government employment, a covered senior defense official who has served in the position of such official for a period beginning not less than 24 months before the date of the termination and ending on such date shall be entitled to receive as severance pay the lesser of—

"(A) the amount determined under paragraph (2); or

"(B) the greater of—

"(i) the amount determined by multiplying the number of days between the date on which the covered senior defense official terminates such employment and the date on which he commences employment outside the Federal Government by the daily equivalent of the annual rate of basic pay for the position of the covered senior defense official on the day before the termination of his Federal Government employment; and

"(ii) an amount equal to one-twelfth of the annual rate of basic pay for the position of the covered senior defense official on the day before the termination of his Federal Government employment.

"(2) The amount referred to in paragraph (1)(A) is—

"(A) in the case of a covered senior defense official who has served in his position for at least 2 consecutive 12-month periods but less than 3 consecutive 12-month periods, the amount equal to one-fourth of the annual rate of basic pay for such position on the day before the termination of his Federal Government employment;

"(B) in the case of a covered senior defense official who has served in the position of such official for at least 3 consecutive 12-month periods but less than 4 consecutive 12-month periods, the amount equal to one-third of the annual rate of basic pay for such position on the day before the termination of his Federal Government employment; and

"(C) in the case of a covered senior defense official who has served in the position of such official for at least 4 consecutive 12-month periods, the amount equal to five-twelfths of the annual rate of basic pay for such position on the day before the termination of his Federal Government employment.

For the purpose of this paragraph, if the service of a person as a covered senior defense official is terminated by reason of a change of Presidents and the number of months of service as such an official is not divisible by 12, the number of months of such service shall be increased to the next higher number that is divisible by 12.".

(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 2397a the following new item:

"2397b. Prohibition on private employment contacts between certain Department of Defense officials and defense contractors.".

(b) Section 2397(a) of title 10, United States Code, is amended—

(1) by inserting at the end of subsection (a) the following:

"(7) 'Covered senior defense official' has the same meaning provided in section 2397b(a)(1) of this title.";

(2) by inserting "or a covered senior defense official makes or receives such a contact from any defense contractor regarding such an opportunity," after "defense contractor," in subsection (b)(1);

(3) by striking out "a covered defense official" the second place it appears in subsection (e) and inserting in lieu thereof "the defense official"; and

(4) by inserting "or a covered senior defense official" after "covered defense official" each place it appears in subsections (b)(2), (d)(2)(A), (e), and (f).

EFFECTIVE DATES

SEC. 5. (a) Except as provided in subsection (b), this Act and the amendments made by this Act shall take effect on the date of enactment.

(b)(1) The amendments made by section 3 shall take effect on October 1, 1986.

(2) The amendments made by section 4 shall take effect with respect to persons who are appointed to positions referred to in section 2397b(a)(1) of title 10, United States Code (as added by section 4(a)), not less than 60 days after the date of the enactment of this Act.

○

SUMMARY OF S. 2082, THE "DEFENSE ACQUISITION ENTERPRISE AND INITIATIVE ACT OF 1986", AS INTRODUCED BY SENATOR QUAYLE

Senator Quayle introduced this bill on February 20, 1986. It amends Title 10 (Armed Forces) to establish a new civilian personnel structure totally outside of Title 5 to manage and administer DoD acquisition programs.

Essentially it:

- Establishes within the DoD a Defense Acquisition Services (DAS) made up of not more than 10,000 civilian employees.
- Designates a Defense Enterprise Program Manager for each major acquisition program (as defined).
- Limits employment contacts between certain DoD officials and defense contractors.

This legislation will create an entirely new "Corps" that will be neither uniformed military nor traditional civilian employees. Qualifications, pay setting, evaluation and retention will be administered by regulations published by the Secretary of Defense.

STATEMENT OF SENATOR DAN QUAYLE (R-IN)
CHAIRMAN
SENATE ARMED SERVICES
SUBCOMMITTEE ON DEFENSE ACQUISITION POLICY
APRIL 15, 1986

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES TO DISCUSS MY PROPOSAL FOR UPGRADING THE PROFESSIONALISM OF THE DEFENSE ACQUISITION WORKFORCE.

THE GENESIS OF MY BILL, S. 2082, WAS MY BELIEF THAT WE HAD TO SHIFT THE FOCUS OF THE DEBATE ON ACQUISITION REFORM FROM THE "HORROR STORIES" OF HAMMERS AND ALLEN WRENCHES AND TO LOOK AT THE ROOTS OF OUR DEFENSE ACQUISITION PROBLEMS.

DURING THE PAST TWO YEARS OF MY CHAIRMANSHIP OF THE TASK FORCE ON SELECTED DEFENSE PROCUREMENT MATTERS AND ITS SUCCESSOR, THE SUBCOMMITTEE ON DEFENSE ACQUISITION POLICY, WE HAVE REVIEWED NUMEROUS PROPOSALS TO REFORM THE ACQUISITION PROCESS. MOST OF THESE PROPOSALS HAVE TENDED TO ATTACK PROBLEMS ON A CASE-BY-CASE BASIS, WHILE LOSING SIGHT OF THE LARGER PROBLEM: THE DEFENSE ACQUISITION PROCESS THAT WE HAVE AT PRESENT VIOLATES SEVERAL CARDINAL RULES OF SOUND BUSINESS MANAGEMENT. THOSE RULES INCLUDE MAKING EVERY EFFORT:

1) TO HIRE AND RETAIN THE BEST PEOPLE TO MANAGE THE PROCESS;

2) TO GIVE THE MANAGERS MAXIMUM DISCRETION TO MANAGE THEIR PROGRAMS, AND

3) TO HOLD THE MANAGERS DIRECTLY ACCOUNTABLE FOR THE SUCCESS OF THEIR PROGRAMS.

UNDER THE CURRENT SYSTEM, CIVIL SERVICE AND OTHER RULES RESTRICT THE ABILITY TO HIRE, PROMOTE AND APPROPRIATELY PAY THE BEST PEOPLE. AUTHORITY AND RESPONSIBLITY WITHIN THE SYSTEM IS SO DIFFUSE THAT IT IS DIFFICULT TO PINPOINT ACCOUNTABILITY AND EVEN MORE SO, TO REWARD GOOD, AND REMOVE POOR MANAGERS. FINALLY, THE LAWS AND REGULATIONS GOVERNING THE ACQUISITION PROCESS ARE SO INVOLVED AND DETAILED THAT THE EXERCISE OF SOUND MANAGEMENT DISCRETION IS DIFFICULT, IF NOT IMPOSSIBLE.

I WOULD LIKE TO BRIEFLY SUMMARIZE THE THREE SECTIONS OF S. 2082. THE FIRST ESTABLISHES THE CONCEPT OF "DEFENSE ENTERPRISE PROGRAMS" FOR THE ACQUISITION OF SELECTED MAJOR WEAPON SYSTEMS. THESE ENTERPRISE PROGRAMS WOULD BE SELECTED BY THE SERVICE SECRETARIES WITH THE CONCURRENCE OF THE SECRETARY OF DEFENSE. TO INCREASE THE AUTHORITY AND ACCOUNTABILITY OF THE ENTERPRISE PROGRAM MANAGER, THE PROGRAM REPORTING CHAIN WOULD BE REDUCED TO ONE LAYER BETWEEN THE

PROGRAM MANAGER AND THE SERVICE SECRETARY; THE ENTERPRISE PROGRAM MANAGER WOULD BE PROVIDED WITH GREATER FLEXIBILITY IN THE USE OF REGULATIONS, AND THE PROGRAM MANAGER WOULD HAVE THE AUTHORITY TO PUT TOGETHER A HAND-PICKED SENIOR STAFF TO PROVIDE EXPERT ADVICE ON TECHNICAL AND MANAGEMENT MATTERS.

THE ENTERPRISE PROGRAM MANAGER WOULD BE SUBJECT TO AN ANNUAL PERFORMANCE RATING BASED IN HIS ABILITY TO EFFECTIVELY USE HIS EXPANDED AUTHORITY TO MEET THE PROGRAM'S COST, QUALITY AND SCHEDULE REQUIREMENTS.

IN ORDER FOR THE SERVICE SECRETARIES TO EFFECTIVELY STAFF THESE ENTERPRISE PROGRAM OFFICES, AS WELL AS TO MANAGE THE MOST DIFFICULT ACQUISITION PROBLEMS, SECTION TWO OF S. 2082 ESTABLISHES THE DEFENSE ACQUISITION SERVICE. THE DEFENSE ACQUISITION SERVICE WOULD BE AN ELITE CORPS DESIGNED TO ENHANCE THE RECRUITING, TRAINING AND RETENTION OF THE "BEST AND THE BRIGHTEST" IN THE CIVILIAN ACQUISITION WORKFORCE.

MR. CHAIRMAN, PEOPLE ARE THE KEY TO SUCCESSFUL ACQUISITION. THE CURRENT REGULATIONS COVERING APPOINTMENTS TO THE CIVIL SERVICE UNDER THE GENERAL SCHEDULE PRECLUDE OR INHIBIT THE USE OF:

-MINIMUM EDUCATION REQUIREMENTS FOR ENTRY INTO THE ACQUISITION FIELD;

-FLEXIBILITY IN COMPENSATION AND BENEFITS FOR REWARDING AND RETAINING COMPETENT PERFORMERS;

-FLEXIBILITY IN CLASSIFICATION, AND

-DEMOTION OR REMOVAL OF AN EMPLOYEE ON THE BASIS OF UNSATISFACTORY PERFORMANCE.

UNDER MY PROPOSAL, THE DEFENSE ACQUISITION SERVICE WOULD CONSIST OF PERSONNEL APPOINTED BY THE SERVICE SECRETARIES UNDER COMMON STANDARDS DEVELOPED BY THE SECRETARY OF DEFENSE. THE TOTAL DAS WOULD BE LIMITED TO 10,000 MEMBERS. EACH OF THE SERVICES WOULD BE ASSIGNED AN EQUAL NUMBER OF POSITIONS FROM THIS POOL.

AFTER THESE PEOPLE ARE APPOINTED, MY PROPOSAL WOULD PROVIDE GREATER FLEXIBILITY IN THE AREAS OF HIRING, PROMOTION, PAY AND EVALUATION THAN THE CURRENT SYSTEM. SIGNIFICANTLY, MY PROPOSAL WOULD PROVIDE THAT MEMBERS OF THE DEFENSE ACQUISITION SERVICE WOULD BE SUBJECT TO PROMOTION, AWARD OF A BONUS, DEMOTION OR OUTRIGHT REMOVAL FROM THE DAS ON THE BASIS OF AN ANNUAL PERFORMANCE EVALUATION.

AS I HAVE PROPOSED, THE SERVICE SECRETARIES COULD ASSIGN THE MEMBERS OF THIS ELITE CORPS TO ACT AS TROUBLESHOOTERS AT ANY SPECIFIC POINT IN THE ACQUISITION OR SUPPORT OF A DEFENSE SYSTEM. THE DEFENSE ACQUISITION SERVICE COULD ALSO PROVIDE A

MEANS OF DEVELOPING QUALITY MANAGERS FOR HIGH-LEVEL CIVILIAN ACQUISITION POSITIONS WITHIN THE DEPARTMENT OF DEFENSE.

THE FINAL SECTION OF S. 2082 ATTEMPTS TO SOLVE THE SO-CALLED REVOLVING DOOR PROBLEM BY PROHIBITING CIVILIAN PRESIDENTIAL APPOINTEES IN ACQUISITION FROM DISCUSSING FUTURE EMPLOYMENT WITH DEFENSE CONTRACTORS WHILE THEY REMAIN IN GOVERNMENT SERVICE. IN RETURN, SUCH APPOINTEES WOULD BE ELIGIBLE TO RECEIVE SEVERANCE PAY BASED ON THEIR TIME OF SERVICE.

MR. CHAIRMAN, SECTION TWO OF S. 2082 REPRESENTS ONE APPROACH TO INCREASING THE QUALITY OF OUR CIVILIAN ACQUISITION WORKFORCE. SENATOR BINGAMAN'S BILL S. 1727 FOCUSSES ON SCIENTISTS AND ENGINEERS AND ATTEMPTS TO INCLUDE ALL PERSONNEL UNDER THOSE SKILL AREAS IN AN EXPANDED VERSION OF THE SYSTEM USED SUCCESSFULLY IN THE NAVY'S CHINA LAKE EXPERIMENT. SENATOR TRIBLE'S BILL, S. 1327, PROVIDES AUTHORITY FOR FEDERAL AGENCIES TO PROVIDE INCREASED COMPENSATION IN THOSE AREAS WHERE RECRUITING AND RETENTION OF QUALIFIED INDIVIDUALS IS A PROBLEM.

MANY OF THE ELEMENTS IN THESE THREE APPROACHES ARE COMPLEMENTARY. WE NEED TO WORK TOGETHER TO TRY AN TAILOR AN APPROACH THAT ADDRESSES THE VERY SERIOUS PROBLEM THAT WE NOW HAVE RECRUITING AND RETAINING QUALIFIED SCIENTISTS, ENGINEERS AND ACQUISITION PROFESSIONALS. I CONTINUE TO FAVOR AN

APPROACH WHICH WOULD BE, TO THE EXTENT POSSIBLE, COST NEUTRAL; ONE INTO WHICH QUALIFIED INDIVIDUALS WOULD HAVE TO BE SELECTED, AND FROM WHICH THEY COULD BE REMOVED FOR POOR PERFORMANCE, AND AN ALTERNATIVE SYSTEM WHICH COULD BE EXPANDED AS EXPERIENCE WOULD DICTATE.

WITH THE IMPETUS PROVIDED BY THE RECENT PACKARD COMMISSION REPORT, I BELIEVE THAT A BROAD CONSENSUS IS FORMING THAT ACTION IN THIS AREA IS NEEDED NOW. I LOOK FORWARD TO WORKING WITH YOU, MR. CHAIRMAN, AND OTHERS TO TRY AND SOLVE THESE SERIOUS PERSONNEL PROBLEMS WITH ALL DELIBERATE SPEED.

TESTIMONY OF SENATOR JOHN W. WARNER
BEFORE THE SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE
AND GENERAL SERVICES
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
TUESDAY, APRIL 15, 1986 - 10:00 AM, SD-342

"SPECIAL PAY RATE REFORM FOR FEDERAL EMPLOYEES"

Mr. Chairman,

I would like to join with my Virginia colleagues, Senator Trible and Congressman Wolf, in expressing my appreciation for the opportunity to appear before you today.

The true measure of gratitude will come from the nation's federal workforce if we are successful in our efforts to expand and improve the federal employee Special Pay Rate program.

I would like to stress that the Trible/Warner/Wolf legislation, S.1327 and H.R.2836 in the House, has its roots in the direct requests of assistance from federal personnel managers.

These are the people dealing with hiring and retention problems on a daily basis.

Furthermore, I must fully credit the personnel offices at the Department of the Air Force and the National Aeronautics and Space Administration, government professionals who played a direct role in the formation of our proposal.

Our legislation can work to the greater good of the entire Civil Service, and we strongly hope it will merit your favorable consideration.

(MORE)

Current law provides that "It is the policy of Congress that Federal...statutory pay systems be based on the principal that...Federal pay rates be comparable with private enterprise pay rates for the same levels of work..."

In the event that substantially higher private sector pay becomes a factor inhibiting government efforts to recruit and retain qualified personnel, the mechanism then exists for establishing Special Pay Rates.

It is our intention to demonstrate that this Special Pay authority is falling far short in either achieving true comparability or providing government agencies with the management tools necessary to staff and maintain essential government functions.

Senator Trible has outlined the provisions of our legislation.

I would like to offer some examples of the need for such actions.

First and foremost, we must broaden the criteria on which Special Pay Rates may be authorized.

"Substantially higher private sector pay" fails to take into account such factors as location, environment, and State and local government pay.

In Alaska, for instance, a principal competitor for personnel is the State government, with pay and benefits exceeding Federal civilian compensation in many categories.

(MORE)

FURTHERMORE, WE HAVE GOVERNMENT LABORATORIES IN BOTH FRIGID AND DESERT CLIMATES, REMOTE LOCATIONS WHERE LOCAL PAY IS HARDLY RELEVANT.

TO ATTRACT QUALIFIED PERSONNEL TO THE GOVERNMENT, OUR PROPOSAL WOULD PROVIDE HIGHER PAY AUTHORITY, STREAMLINED APPROVAL PROCEDURES AND DIRECT HIRE AUTHORITY.

WITNESS THE CASE OF THE HARDWORKING RECRUITMENT OFFICE AT THE DAHLGREN, VIRGINIA NAVAL SURFACE WEAPONS CENTER.

DAHLGREN, WITH ITS PASTORAL SETTING ON THE LOWER POTOMAC, HAS A HARD ENOUGH TIME COMPETING FOR PERSONNEL WITH THE GOLIATH OF WASHINGTON, D.C. UPRIVER.

ADD TO THAT THE FRUSTRATION OF A MINIMUM OF SIXTY DAYS APPROVAL FOR NEW TECHNICAL PERSONNEL.

BY THE TIME THE CIVIL SERVICE DOOR OPENS FOR A PROMISING YOUNG ENGINEER GRADUATE, MANY IS THE TIME THAT A PRIVATE SECTOR FIRM HAS MADE A BETTER OFFER IN THE INTERVENING PERIOD.

WE WANT TO GIVE OUR FEDERAL MANAGERS THE ABILITY TO HIRE SPECIAL RATE EMPLOYEES DIRECTLY, WITH ADVANCE PAY AND AT HIGHER ENTRY LEVELS.

TO ASSIST IN RETENTION, WE WOULD OFFER CASH INCENTIVES TO REMAIN IN FEDERAL SERVICE.

IF AN EMPLOYEE DETERMINED TO SEPARATE BEFORE THE EXPIRATION OF HIS OR HER SERVICE AGREEMENT, THE EMPLOYEE WOULD THEN BE OBLIGATED TO REPAY THE SERVICE BONUS.

ALL WOULD BENEFIT FROM SUCH AN ARRANGEMENT.

(MORE)

The employee would be compensated higher for his or her service, and the agency could rely on those services for a set period of time, both parties understanding the consequences of a break in service.

This brings to mind one of the greatest retention problems I see, particularly with the Department of Defense.

In dealing with the Armed Services most sophisticated research and development, it takes a full five years to bring most scientists and technicians to a level of "state of the art" training.

Once the government has expended thousands of hours and dollars in achieving this objective, the employee is then "ripe for the plucking" and lost to the private sector.

I would concede that, in certain cases, even under an expanded Special Pay Rate program, we cannot fully compete with an aggressive outside employer.

If a federal employee's skills become a highly valued commodity, the prospective employer can almost always "go the government one better".

As an example, an aeronautical engineer, lately employed at Ogden, Utah's Hill Air Force Base, has been promised college tuition expenses for his children by his new private sector employer.

We can, however, vastly improve the management tools presently available.

(MORE)

CREATIVE COMPENSATION PACKAGES, AS AUTHORIZED BY OUR LEGISLATION, WOULD GREATLY ENHANCE OUR ABILITY TO COMPETE FOR AND RETAIN PERSONNEL FOR OUR HARD-TO-FILL POSITIONS.

MR. CHAIRMAN, I AM PLEASED TO NOTE THAT, ALSO ON TODAY'S AGENDA, YOU ARE EXAMINING PROPOSALS PUT FORTH BY TWO OF MY DISTINGUISHED FELLOW MEMBERS OF THE ARMED SERVICES COMMITTEE.

WE SHARE A COMMON GOAL IN SEEKING TO IMPROVE CIVILIAN SERVICE TO THE BENEFIT OF THE ENTIRE GOVERNMENT.

SENATOR QUAYLE, AS A PART OF THE RECOMMENDATIONS OF THE PRESIDENT'S BLUE RIBBON COMMISSION ON DEFENSE MANAGEMENT, WOULD ESTABLISH A NEW DEFENSE ACQUISITION SERVICE, 10,000 DOD CIVILIANS STRONG, TO BE UTILIZED BY ALL BRANCHES OF THE ARMED SERVICES.

SENATOR BINGAMAN, UNDER THE EXCELLENT AUSPICES OF THE WHITE HOUSE SCIENCE COUNCIL'S FEDERAL LABORATORY REVIEW PANEL, WOULD CREATE A SUPER-CADRE OF GOVERNMENT SCIENTISTS AND TECHNICIANS WITH BENEFITS UNEQUALED IN THE REST OF THE FEDERAL GOVERNMENT.

BOTH PROPOSALS HAVE PRAISEWORTHY ASPECTS, BUT I SUGGEST, MR. CHAIRMAN, THAT NEITHER IS BROAD ENOUGH TO ADDRESS THE HIRING AND RETENTION PROBLEMS NOW ENDEMIC IN FEDERAL CIVILIAN SERVICE.

AT THIS POINT IN THE RECORD, I WOULD REQUEST THAT AN INFORMATION SUMMARY (ATTACHED), COLLECTED AND COMPILED BY MY STAFF AND THAT OF SENATOR TRIBLE AND CONGRESSMAN WOLF, BE INSERTED IN THE HEARING RECORD.

(MORE)

Allow me to relate, Mr. Chairman, a few samples of our findings.

....The Corps of Engineers in Los Angeles has greater difficulty in hiring clerical workers than it does in bringing on board engineers.

....Mare Island Naval Shipyard is meeting a 71 percent decline rate in recruitment efforts of GS-5 level engineers.

....Letterman Army Medical Center in San Francisco finds private pay differentials of $6,700 for qualified nursing positions and $10,900 for registered pharmacists.

....Elmendorf Air Force Base in Anchorage is faced with extraordinary turnover rates, such as 109 percent for firefighters, 80 percent for procurement clerks, 60 percent for nurses, and 76 percent for clerk-typists.

Mr. Chairman, I hope this dramatizes the need for improved Special Pay Rates government-wide.

We have a Special Pay program already in place, and all that it needs is some fine tuning to make it more effective.

I sincerely hope you will join us in our efforts to help accomplish this objective.

***

General Information

Mare Island Naval Shipyard (California)

- Engineer Recruiting problem:

At GS-5 level	71%	decline rate
At GS-7 level	76%	decline rate

Los Angeles Air Force -- Space Division

- Problems with clericals, administrative professionals and engineers:

	Turnover	% Vacant	Fill Times
Clerical	29%	32.9%	25-35 days
Administrative Professionals	16.6%	31.1%	35-50 days
Engineers	19.7%	30%	70-85 days

Pacific Missile Test Center (San Nicholas Island, CA):

- Has 260 vacant engineer positions (31% of authorized strength)
- Has 12 vacant scientist positions (8% of authorized strength)

Aberdeen Army Proving Ground (Aberdeen, MD) --

- Turnover of civilian guards -- 19.3%

Hanscom AFB -- Boston, Mass. --

- Turnover of clericals -- 30%

Los Angeles District Army Corps of Engineers --

- Turnover of engineers -- 18.7%
- Turnover of clericals -- 20%
- Problem with filling jobs in a reasonable time period:

Position	Fill Times
engineers:	80 days
clerk/typist:	83 days
voucher examiner:	146 days

Letterman Army Medical Center -- San Francisco, CA --

- Experiencing hirelags ranging from 86 - 237 days.
- Much of problem precipitated by non-competitive salaries:

Position	Pay Differences with Private Sector
Nurse	$6700
Pharmacist	$10,900
Clerk Typist	$2400-2600
Secretary	$3600

Hill AFB -- Ogden, Utah --

- Quality of recruits is a problem -- Getting those in 2.5 GPA range (private sector goes for 3.1 GPA and above)
- Turnover in engineering skills -- 23%
- Average fill time -- 82 days

Wright-Patterson AFB -- Dayton, Ohio --

- Quality of recruits is declining:

	Average Recruit:
1983	3.1 GPA
1984	2.8 GPA
1985	2.7 GPA

- Two-thirds of engineers leaving, leave for higher pay in industry and do not stay in the Dayton, Ohio area.

Naval Air Rework Facility -- Alameda, CA

- Wage inversion problem where wage grade employees will not take supervisory positions due to lower rates of pay is creating a high turnover rate at the journeyman level.

Position	Turnover
Production Controller	31%
Industrial Engineer Technician	28%
Quality Assurance Specialists	21%

Elmendorf AFB -- Anchorage, Alaska --

- Facing continuous turnover:

Position	Turnover rate
Firefighters	109%
Procurement Agents	67%
Procurement Clerks	80%
Budget Analysts	67%
Nurses	60%
Personnel Specialists	58%
Clerk/Typists	76%

National Institute of Neurological and Communicative Disorders and Stroke (NINCDS)

- NIH recruited for 2 years to prepare a candidate list of 6 doctors to become director of NINCDS. All declined the position due to salary -- position has remained unfilled since 1982.

- Non-competitive salaries: Loss of physicians to other research and academic laboratories is precipitated by annual salaries on the outside ranging from $12,000 - $40,000 more.

Naval Surface Weapons Center -- Dahlgren, VA --

- Delays in OPM approval creates a problem: Recognizing a need for computer scientists and engineers, NSWC developed a special pay rate proposal within 2 months and submitted it to OPM. It took OPM 2.5 years to sign.

- Without direct hire authority, it takes 6 weeks to get responses on the OPM register. Most applicants have already found other employment by then.

- Turnover of journeyman engineers is on the rise:

1980-1983 -- GS 13 -- 3% turnover

1984 -- GS 13 -- 9% turnover

1985 -- GS 13 -- 16% turnover

TESTIMONY
OF
SENATOR PAUL S. TRIBLE, JR.

BEFORE THE
SUBCOMMITTEE ON CIVIL SERVICE
POST OFFICE AND GENERAL SERVICES
OF THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

APRIL 15, 1986

MR. CHAIRMAN:

I AM PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE TO DISCUSS URGENTLY NEEDED LEGISLATION TO IMPROVE RECRUITMENT AND RETENTION IN THE FEDERAL GOVERNMENT. I COMMEND THE COMMITTEE'S EFFORTS TO ADDRESS THIS CRITICAL ISSUE.

FOR MANY YEARS, THE FEDERAL GOVERNMENT HAS ENCOUNTERED DIFFICULTIES FILLING CRITICAL POSITIONS IN THE FEDERAL WORKFORCF. IN RESPONSE TO THIS PROBLEM, THE GOVERNMENT'S SPECIAL PAY RATE PROGRAM WAS ESTABLISHED IN 1962. ITS GOAL: TO ENABLE THE GOVERNMENT TO ATTRACT AND RETAIN EMPLOYEES IN HARD-TO-FILL OCCUPATIONS.

THE CURRENT SPECIAL PAY RATE PROGRAM GRANTS THE PRESIDENT AUTHORITY TO INCREASE BASIC RATES OF PAY FOR SELECTED POSITIONS IN THE WORKFORCE WHEN PRIVATE SECTOR PAY SUBSTANTIALLY EXCEEDS STATUTORY PAY RATES. WHILE IT WAS HOPED THAT THIS AUTHORITY WOULD ENABLE THE GOVERNMENT TO COMPETE FOR AND RETAIN QUALIFIED PERSONNEL, THE PROGRAM IS INADEQUATE.

FEDERAL AGENCIES CONTINUE TO EXPERIENCE GRAVE DIFFICULTIES RECRUITING AND RETAINING QUALIFIED EMPLOYEES FOR HARD-TO-FILL POSITIONS. THESE DIFFICULTIES ARE SEVERE, AND THEY ARE INCREASING. QUITE FRANKLY, OUR PROBLEMS IN THIS AREA HAVE REACHED EPIDEMIC PROPORTIONS, JEOPARDIZING AGENCY MISSIONS AND NATIONAL SECURITY REQUIREMENTS.

MR. CHAIRMAN, I WANT TO EMPHASIZE THAT THE RECRUITMENT AND RETENTION PROBLEM IS NOT LIMITED TO ONE TYPE OF POSITION IN ONE GEOGRAPHIC AREA. NOR IS IT LIMITED TO ONE DEPARTMENT OR AGENCY. THE PROBLEM IS PERVASIVE.

THE NORFOLK NAVAL SHIPYARD, WINNER OF THREE OF THE FOUR CHIEF OF NAVAL MATERIAL PRODUCTIVITY EXCELLENCE AWARDS PRESENTED TO SHIPYARDS, HAD A 17.07% VACANCY RATE AND A 13.45% TURNOVER RATE FOR ENGINEERS IN 1985. FIGURES FOR ALL NAVAL SHIPYARDS ARE SIMILAR; THE SHIPYARDS ARE EXPERIENCING A 27.03% VACANCY RATE AND A 11.99% ATTRITION RATE. WHY? HIGHER PRIVATE SECTOR PAY AND BENEFITS.

DEFENSE LABORATORIES - PREFERRED ASSIGNMENTS FOR SCIENTISTS AND ENGINEERS - ARE ALSO UNDERSTAFFED. THE NAVAL SURFACE WEAPONS CENTER IN DAHLGREN, VIRGINIA HAS EXPERIENCED A 16% TURNOVER RATE FOR SCIENTISTS AND ENGINEERS. NASA'S AMES RESEARCH CENTER HAS HAD A 78% TURNOVER RATE FOR SCIENTISTS AND ENGINEERS AND A 50% TURNOVER RATE FOR CLERICAL PERSONNEL. THE CAUSE: HIGHER PAY AND BENEFITS AND BETTER WORKING CONDITIONS IN THE PRIVATE SECTOR..

THE SPACE DIVISION, AIR FORCE SYSTEMS COMMAND IN LOS ANGELES, CALIFORNIA HAD A 1985 TURNOVER RATE OF 29% FOR CLERICAL PERSONNEL. ON AVERAGE, IT TAKES A FULL MONTH TO FILL VACANT CLERICAL POSITIONS. HANSCOM AFB IN BOSTON, MASSACHUSETTS HAS A 30% TURNOVER RATE FOR CLERICAL EMPLOYEES.

THE ARMY HOSPITAL AT THE PRESIDIO OF SAN FRANCISCO IS OPERATING AT A 78% STAFFING LEVEL. AS MUCH AS 237 DAYS ARE NEEDED TO FILL A MEDICAL TECHNICIAN POSITION AND 120 DAYS TO HIRE A COMPUTER SPECIALIST. HOSPITAL EMPLOYEES MUST WORK LONG SHIFTS TO COMPENSATE FOR STAFF SHORTAGES.

IN NEW YORK, THE VA MEDICAL CENTER IS FACED WITH A SERIOUS SHORTAGE OF TECHNICIANS AND THERAPISTS. IN ADDITION TO HIGHER PAY, NON-FEDERAL HOSPITALS IN THE AREA ALSO OFFER EDUCATIONAL BENEFITS, FULLY PAID LIFE AND HEALTH INSURANCE, AND SUBSIDIZED HOUSING - NONE OF WHICH ARE PROVIDED BY THE FEDERAL GOVERNMENT.

THE NATIONAL CANCER INSTITUTE IN BETHESDA, MARYLAND SUFFERS CHRONIC UNDERSTAFFING OF MEDICAL TECHNICIANS. AS A RESULT, THE INSTITUTE HAS BEEN FORCED TO TURN AWAY PATIENTS WHO NEED THERAPY. MILLIONS OF DOLLARS' WORTH OF EQUIPMENT OFTEN SITS IDLE BECAUSE OF A SHORTAGE OF TECHNICIANS.

THESE EXAMPLES ARE INDICATIVE OF THE STAFFING PROBLEMS FOR HARD-TO-FILL POSITIONS GOVERNMENT-WIDE. 27 DIFFERENT AGENCIES, INCLUDING THE DEPARTMENT OF DEFENSE, DEPARTMENT OF HEALTH AND HUMAN SERVICES, ENVIRONMENTAL PROTECTION AGENCY, DEPARTMENT OF JUSTICE AND DEPARTMENT OF STATE HAVE SPECIAL RATES. AND, WITHOUT REFORMS IN THE SPECIAL RATE PROGRAM, THESE SHORTAGES WILL CONTINUE AND AGENCY MISSIONS WILL BE COMPROMISED.

NO AGENCY, NO MISSION IS IMMUNE FROM HIRING PROBLEMS. WE ARE LOSING QUALIFIED AND EXPERIENCED PERSONNEL TO BETTER PAYING PRIVATE SECTOR JOBS WITH BETTER BENEFITS. WE ARE UNABLE TO BRING IN NEW RECRUITS TO FILL CHRONIC VACANCIES. AGENCIES ARE INCREASINGLY CONCERNED ABOUT THE QUALITY OF JOB APPLICANTS. THE FEDERAL GOVERNMENT IS BECOMING THE EMPLOYER OF LAST RESORT FOR THOSE WHO ARE UNABLE TO SECURE EMPLOYMENT IN THE PRIVATE SECTOR.

I AM PLEASED THAT MY COLLEAGUES, SENATORS QUAYLE AND BINGAMAN, RECOGNIZE THE NEED TO ENSURE THAT WE HAVE QUALIFIED PERSONNEL IN A NUMBER OF HARD-TO-FILL POSITIONS IN THE FEDERAL WORKFORCE. BUT I BELIEVE THAT EFFORTS TO CORRECT THE RECRUITMENT AND RETENTION PROBLEMS MUST BE GOVERNMENT-WIDE IN SCOPE.

LEGISLATIVE SOLUTIONS SINGLING OUT CERTAIN POSITIONS IN CERTAIN DEPARTMENTS, WILL MERELY SHIFT THE GOVERNMENT'S PERSONNEL PROBLEMS TO OTHER POSITIONS IN OTHER DEPARTMENTS. CORRECTING STAFFING PROBLEMS FOR ONE OCCUPATION, WHILE MEETING THE PRESSING NEEDS OF THE AFFECTED AGENCY, WILL NOT SOLVE A PROBLEM WHICH IS GOVERNMENT-WIDE. IN FACT, IT IS LIKELY THAT THE STAFFING PROBLEMS FOR THAT AGENCY WILL BE RESOLVED BY HIRING FEDERAL WORKERS FROM OTHER AGENCIES LEFT UNAFFECTED BY THE PATCHWORK SOLUTION. THE LARGER PROBLEM WILL REMAIN.

I HAVE INTRODUCED LEGISLATION, S. 1327, TO ADDRESS THE GOVERNMENT'S RECRUITMENT AND RETENTION PROBLEMS THROUGHOUT THE FEDERAL WORKFORCE. UNDER S. 1327, THE SHORTFALLS OF THE CURRENT SPECIAL RATE PROGRAM ARE ELIMINATED AND AGENCIES AND THE OFFICE OF PERSONNEL MANAGEMENT ARE GRANTED GREATER MEANS OF DEALING WITH PRESSING STAFFING PROBLEMS EFFECTIVELY, AND IN A TIMELY MANNER.

THE OFFICE OF PERSONNEL MANAGEMENT WILL BE REQUIRED TO ESTABLISH A SET OF CRITERIA AGENCIES MUST MEET IN ORDER TO QUALIFY FOR SPECIAL PAY RATE AUTHORITY. UNLIKE CURRENT LAW, OTHER IMPORTANT FACTORS, WHICH CONTRIBUTE TO RECRUITMENT AND RETENTION PROBLEMS CAN BE CONSIDERED. THESE COULD INCLUDE: PAY RATES OFFERED BY STATE AND LOCAL GOVERNMENT; HEALTH AND RETIREMENT BENEFITS; WORKING CONDITIONS; GEOGRAPHIC LOCATION. AND, THESE FACTORS WOULD BE INCORPORATED INTO OPM'S CRITERIA.

AGENCIES MEETING THESE MINIMUM REQUIREMENTS WILL AUTOMATICALLY RECEIVE SPECIAL RATE AUTHORITY UNLESS OPM REJECTS THIS REQUEST - WITH WRITTEN EXPLANATION - WITHIN 45 DAYS OF RECEIVING THE AGENCY'S PROPOSAL. AGENCIES WILL THAN HAVE THE OPPORTUNITY TO RESUBMIT A SPECIAL RATE PROPOSAL TO OPM FOR RECONSIDERATION. THIS WILL ENABLE AGENCIES TO RESPOND MUCH FASTER TO PRESSING STAFFING PROBLEMS.

CURRENT LIMITS ON STARTING SALARIES FOR THESE HARD-TO-FILL POSITIONS WILL BE ELIMINATED. THE ONLY LIMIT ON MAXIMUM SALARIES UNDER THE SPECIAL RATE PROGRAM WILL BE THAT SALARIES MAY NOT EXCEED THE EXECUTIVE LEVEL V PAY CAP. AND, WITHIN-GRADE PAY INCREASES WILL BE LINKED TO AN INDIVIDUAL'S PERFORMANCE IN A MANNER SIMILAR TO THE NEW PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM.

MY LEGISLATION ALSO ESTABLISHES A BONUS PROGRAM TO ALLOW AGENCIES TO OFFER CASH PAYMENTS TO EMPLOYEES. THESE BONUSES WILL BE TIED TO SERVICE AGREEMENTS WHEREIN EMPLOYEES AGREE TO REMAIN IN SERVICE WITH AN AGENCY FOR A SPECIFIED PERIOD OF TIME. HOWEVER, IF THE EMPLOYEE VOLUNTARILY LEAVES THE AGENCY BEFORE COMPLETING THE EMPLOYMENT PERIOD SPECIFIED IN THE SERVICE AGREEMENT, HE MUST REPAY THE GOVERNMENT ANY AMOUNTS PAID TO HIM.

IN ADDITION, S. 1327 PROVIDES OTHER FEATURES TO ASSIST AGENCIES IN RECRUITING QUALIFIED PERSONNEL. DIRECT HIRE AUTHORITY WILL BE ESTABLISHED FOR ALL POSITIONS AUTHORIZED

SPECIAL RATES OF PAY. ALSO, AGENCIES WILL BE GRANTED AUTHORITY TO ADVANCE PAY AT THE BEGINNING OF AN INDIVIDUAL'S EMPLOYMENT TO ASSIST THE EMPLOYEE IN PAYING FOR EXPENSES INCURRED (E.G. SECURITY DEPOSITS) IN SETTLING IN THE AREA. THIS ADVANCED PAY WILL BE PAID BACK OVER AN ESTABLISHED PERIOD OF TIME.

THE REASONING BEHIND THIS LEGISLATION IS STRAIGHTFORWARD. THE ONLY WAY TO GET TECHNICALLY COMPETENT PEOPLE AND KEEP THEM ON THE JOB IS TO COMPENSATE THEM ADEQUATELY. THE FEDERAL GOVERNMENT ENGAGES IN A HOST OF ACTIVITIES REQUIRING PERSONNEL IN GREAT DEMAND. UNLESS WE ARE ABLE TO COMPETE EFFECTIVELY FOR THESE MEN AND WOMEN IN ALL AREAS OF FEDERAL SERVICE, GOVERNMENT ACTIVITIES WILL SUFFER. AND, WE CANNOT ALLOW THE GOVERNMENT TO COMPOUND CURRENT PROBLEMS BY ENACTING LEGISLATION WHICH WOULD RESULT IN THE GOVERNMENT COMPETING WITH ITSELF FOR PERSONNEL.

A COMPREHENSIVE, GOVERNMENT-WIDE SOLUTION TO OUR RECRUITMENT AND RETENTION PROBLEMS MUST BE ENACTED SOON. WE ARE ALL TOO AWARE THAT THE CURRENT SPECIAL RATE PROGRAM IS INADEQUATE. AND, CURRENT EFFORTS TO REDUCE THE DEFICIT COULD ADVERSELY AFFECT THE SPECIAL RATE PROGRAM EVEN FURTHER UNLESS WE TAKE THIS OPPORTUNITY TO PROVIDE REFORMS IN OUR ABILITY TO GET NECESSARY PROFESSIONALS INTO THE FEDERAL WORKFORCE.

MR. CHAIRMAN, I APPRECIATE YOUR EFFORTS TO ADDRESS THIS ISSUE AND I LOOK FORWARD TO WORKING WITH YOU TO SOLVE OUR SPECIAL RATE PROBLEMS.

Statement
before the
Senate Civil Service Subcommittee
by
Representative Frank R. Wolf
Federal Recruiting and Retention Improvement Act of 1985
(S. 1327/H.R. 2836)
April 15, 1986

Mr. Chairman, I appreciate this opportunity to testify today in support of S. 1327, the Senate companion to my bill, H.R. 2836. The issue of pay reform in government is of paramount concern to me and I commend you and the subcommittee for taking a lead on this matter.

In 1984, I was contacted by police officers at the Federal Aviation Administration who are stationed at airports located in my congressional district. The concerns they raised about high levels of turnover, delays in filling vacancies, and non-competitive salaries pointed to a trend in various occupations in government where the current pay laws do not adequately address the problems faced by civil service personnel policies.

Because of my concern about the problems outlined by the FAA police, I introduced legislation to help correct their situation. Shortly after introduction of that bill, my office received numerous inquiries from agencies, installations, and facilities across the country which were encountering similar recruiting and retention problems as the FAA police in my district. From this continuous flow of requests for similar support, I became sensitive to the shortcomings in the current special pay rates law governing the pay in occupations that are hard-to-fill or for which the classification levels and associated pay rates cannot match the pay of private sector counterparts. These jobs include clerical positions, law enforcement personnel, scientists, engineers, guards and nurses among other professions.

In early 1985 when it was announced that a 5 percent pay cut had been proposed for the federal workforce, the Department of the Air Force alerted me that its civilian recruiting efforts had all but shut down with few, if any, college graduates willing to consider federal employment.

As the problems of recruiting and retaining high quality talent for the federal workforce intensified during 1985, my colleagues, staff and I began to develop a reform of the current inadequate special pay rate program. We worked with personnel directors from a variety of federal agencies.

This year we are already facing the threat of an unprecedented number of retirements and resignations from federal service as civil servants tire of the continuous attacks on the civil service pay and benefits structure. Replacing that talent and experience with individuals of equal caliber will be a difficult if not impossible task unless we address the recruiting and retention problems throughout government in agencies from NASA to NIH; Navy to the FAA. We must do something and we must do something now.

I want to give you an example of the type of policies we are faced with. As I mentioned earlier, Washington National and Washington Dulles International are located in my district where they serve the nation's capital -- from its visitors to its residents which include cabinet officials, members of Congress, the diplomatic corps, and others who influence the policies of our country. Since 1975, the FAA has been presenting special pay rate requests to the Office of Personnel Management in the hope of resolving its law enforcement staffing problems at these two facilities. With each request, different reasons were given for why relief could not be provided: there was no turnover to the private sector, there was no retention problem, and so on. What relief was provided was usually minimal and diminished over a couple of years -- this went on for ten years. It was not until the FAA at National and Dulles showed a 51 percent turnover in law enforcement officers, a four-month lag in hiring replacements, an average of 27 percent of its positions were vacant, and a growing concern over the possibility of terrorist attack at these two facilities that serious relief was provided to the FAA police.

Although I am pleased with the relief recently directed by OPM and Secretary Dole for increased compensation, I am deeply concerned that the situation had to regress to those alarming statistics and threats against our country had to be made before these police officers were compensated according to what they deserve.

And unfortunately, this is not an isolated case. In Aberdeen, Maryland, the U.S. Army Test and Evaluation Command, which handles top secret materials for testing and storage, has a 20 percent turnover in civilian guards who protect that facility. Since it takes six to eight months to get a security clearance for these guards (a condition of employment), any turnover threatens the security of that installation. What concerns me most and what I frequently hear from personnel officers is their frustration that they must first face a crisis, or deal with a terrorist threat before they can get relief for the pay problems in these hard-to-fill occupations.

What Senator Trible, Senator Warner and I are proposing is simple:

o We want to reform the current special pay structure to provide flexibility in the system;

o We have proposed tools designed by personnel specialists who are going to have to use them (such as performance pay incentives, bonuses, advancement of pay and direct hire authority);

o We have suggested that OPM have broad initial regulatory reform authority in establishing the criteria on which to develop a special pay rate program within an agency. The agencies would then use that guideline to determine whether or not they qualify for relief.

With all the rules spelled out up front by OPM, an agency will not waste time or staff resources applying over and over if it is clear that OPM will not grant the authority.

Our proposal will also expedite the process -- in Dahlgren, Virginia, for example, the Navy needed a special pay rate for its computer scientists and engineers. It took OPM two and a half years to approve the request. With the tools provided in S. 1327/H.R. 2836, and the regulatory guidance outlined, agencies will be able to effectively manage themselves and meet their own personnel hiring and retention needs.

In conclusion, the recruiting and retention problems facing government this year and the implications for hiring in the next few years are of great concern to me. We must begin now to avert that crisis before internal personnel problems create long-lasting threats to the nation.

Again, I want to commend your initiative in planning these hearings. I look forward to working with you and my colleagues to assure passage of this legislation this year.

S.1327/H.R. 2836

Bill Analysis

H.R. 2836, the Recruitment and Retention Improvement Act of 1985 will:

- **Expand the factors** to be considered in determining whether an agency needs special pay rate authority. Currently, pay in local private industry is the only defining factor for authorization of a special pay rate. For jobs which have no private sector counterpart or jobs where the factor making it hard to fill is not local pay rates (i.e. remoteness of location, working conditions, national competition, nature of the work and other issues), there needs to be recognition of that fact and adequate compensation to fulfill the agency's mission.

For example, I have two airports in my congressional district which hire police officers. The FAA pays to train these individuals extensively but is authorized to offer a salary substantially lower than the average income of neighboring law enforcement agencies in the metropolitan Washington area. Frequently, candidates will join the FAA, train at the FAA's expense and then leave federal service to join the higher paid local police departments thereby making the federal government a training ground for non-federal jobs while the taxpayer foots the bill. Further, because current special pay rates are determined by pay in private sector and are unable to recognize state and local governments' salaries or competing federal agencies which have higher pay by statute (i.e. Veterans Administration, U.S. Park Police and others), the pay relief provided under the current special pay program is minimal at best. My legislation will significantly enhance the FAA's effort to recruit and retain individuals for these dangerous jobs.

- **Establishes recruitment and retention bonuses** to provide incentives for individuals to choose federal service. These bonuses will not affect base pay and are tied to a time service agreement in the hiring agency.

- **Annualize step increases** on an incremental performance basis similar to the recently enacted performance management and recognition system.

- **Grant direct-hire authority** to agencies so they can hire the candidates they have recruited (rather than the current practice of recruiting talent and then listing them on an Office of Personnel Management register which may take up to six months to clear).

- **Allow for advancement of pay** for individuals who are just starting out in a career. Repayment, of course is required. Frequently, individuals fresh out of college, graduate school or trade school have exhausted much of their income through their educational pursuit and do not have the funds for living expenses such as deposits on apartments and other needs. This legislation is designed to deal with such facts about starting a career.

- **Expedite the OPM approval process** by requiring OPM to take action within 45 days on each agency request rather than the long process which has evolved taking anywhere from two months to two and a half years to get special pay rates authority. OPM will be responsible for establishing regulations by which an agency's hiring problems can be defined. Once meeting the OPM definition, authority is automatically granted to that agency, unless OPM rejects with written justification within 45 days.

- **Ensure that agency training is tied to a service agreement** by requiring individuals who are trained at one agency's expense to remain with that agency for a defined minimum amount of time before transferring to another federal job unless such requirement is waived by the head of the training agency.

- **Eliminate required annual waiting periods** in the first three steps of the grade pending OPM authority. This ability to provide accelerated promotions is a significant recruitment tool.

- **Ensure supervisors' pay exceeds subordinates** by allowing agencies to adjust supervisors' pay to a higher rate than the employees directly supervised. As wage inversion differentials become increasingly unmanageable in certain regions of the country, fewer outstanding performers are willing to accept management roles because of salary limitations. This bill will provide a mechanism for dealing with such management problems. This is not an entitlement but is meant to be used as a recruitment tool for attracting qualified managers into supervisory positions.

- **Encourage agency innovations** in developing ways to attract and retain qualified individuals other than with pay -- such as developing child card arrangements, recreation facilities for employees, improving working conditions and other innovative means for making the federal position attractive.

- **Allow higher rates of pay** by authorizing the minimum rate payable to a special pay employee to exceed the maximum rate payable for the normal General Schedule grade. An employee can enter the pay range above the step one level and all special pay authority is subject to the Executive Level V cap.

STATEMENT ON

S. 1727, THE FEDERAL SCIENCE AND TECHNOLOGY REVITALIZATION ACT

BEFORE

THE SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES

BY

SENATOR JEFF BINGAMAN

APRIL 15, 1986

DIRKSEN SENATE OFFICE BUILDING

WASHINGTON, D.C.

Mr. Chairman, I appreciate the opportunity to testify before the Subcommittee today on the Federal Science and Technology Revitalization Act, S. 1727, which I introduced last October 2 along with Senator Gore of this subcommittee, and Senators Goldwater, Nunn, Quayle, Wilson, Chiles, and Rockefeller. Congressman Fuqua introduced an almost identical bill, H.R. 3480, on the same day in the House of Representatives. It is a pleasure to return to this subcommittee to talk about this issue, because my interest in it stems from the hearings which you held, Mr. Chairman, in the 98th Congress while I served on this subcommittee on the subject of excellence in government management.

The hearings, which you are beginning today, are particularly timely because of the impetus which the President's Blue Ribbon Commission on Defense Management, the Packard Commission, has given to the need for enhancing the quality of acquisition personnel if we are to make fundamental improvements in the defense acquisition system. I am pleased that you will hear later this morning from Mr. Packard, who really is the moving force behind reform in this area. I will concentrate today on how this bill would affect the Pentagon because this subcommittee may want to consider the possibility of applying S. 1727 first to the Pentagon.

Because of the Navy's China Lake demonstration project, the Pentagon has the most experience in working with the alternative personnel management systems proposed in S. 1727.

The Federal Science and Technology Revitalization Act responds to an urgent problem facing the federal agencies: their inability to compete with the private sector in the recruitment and retention of first-rate civilian scientists and engineers. The bill would authorize more flexible personnel management systems for scientific and technical personnel in the federal government, systems similar to the one which has been operating as a demonstration project at the China Lake Naval Weapons Center since 1980.

Over the past ten years there have been numerous studies about the problems which the federal agencies are having in recruiting and retaining top quality scientific and engineering personnel. But perhaps it is not surprising to this Subcommittee that it took Mr. Packard's efforts to raise this issue to senior policy levels within the government. Four years ago, the President's then Science Advisor, Dr. George A. Keyworth, asked Mr. Packard to head a review of the health of the federal scientific laboratories. The White House Science Council's Federal Laboratory Review Panel reported its findings in May 1983. Let me quote the panel's central findings:

> "The panel is convinced that the federal laboratories have great potential and are an essential part of the American institutions where R & D is performed and scientists and engineers receive training. At the same time, the panel has observed a number of serious deficiencies in the federal laboratories. These deficiencies limit both the quality and cost effectiveness of research done by the federal laboratories. The negative effects of these deficiencies have increased to serious levels during the past decade."

In the personnel area, the panel found "that almost all of the federal laboratories... suffer serious disadvantages in their inabilities to attract, retain, and motivate scientific and technical personnel required to fulfill their missions." They went on to find that "the principal disadvantage is the inability of the federal laboratories, particularly those under the civil service system, to provide scientists and engineers with competitive compensation at entry and top senior levels." They recommended that "administrative and legislative actions should be initiated now to create, at government-operated laboratories, a scientific and technical personnel system independent of current civil service personnel systems." They pointed to the experimental system at China Lake as an example of how this recommendation could be implemented.

Mr. Chairman, as I said earlier, this was the seminal report on this issue. It raised the issue to the White House level. The President was briefed on the report in July 1983 and in August 1983, the President directed the Office of Science and Technology Policy and the Office of Management and Budget to lead an inter-agency effort to respond to the central thrust of the report. As part of that inter-agency effort, the Federal Science and Technology Revitalization Act, which Congressman Fuqua and I introduced last fall, was developed.

Unfortunately, the inter-agency deliberations to put together the implementing legislation dragged on and were disrupted by the departure of key players from government service. Mr. Packard, not one to allow the bureaucracy to swallow up his report, came to Congressman Fuqua and me and other members of the Congress and asked that we introduce the bill as it stood last summer. As I understand it, the key difference within the bureaucracy on this legislation, both last summer and still today, is whether the authority for the alternative personnel management system should be limited to scientists, engineers, and key acquisition personnel, or whether agencies should be given authority to expand to other occupational categories in future years.

Mr. Chairman, we essentially have two groups with competing agendas. One group, for whom Mr. Packard is the spokesman, wants to address the urgent problem they see in the quality of the federal science, engineering, and acquisition workforce. The other group, seeing the opportunity created by this squeaky wheel, wants to restructure the entire civil service system. I am personally not opposed to giving the Defense Department and other agencies authority to bring additional occupational groups under the alternative personnel management systems. But to the extent that one tackles civil service reform for the entire Defense Department, indeed the entire bureaucracy, the possibility for prompt Congressional action will fade. And prompt action is exactly what is required.

As this Subcommittee knows, the Packard Commission recommended at the end of February that the Secretary of Defense "should have increased authority to establish flexible personnel management policies necessary to improve defense acquisition. An alternative personnel system modeled on the China Lake Laboratory demonstration project should be established to include senior acquisition personnel and contracting officers as well as scientists and engineers."

The Commission's report stated that its "recommendations in this critical area can and should be acted upon quickly and are of highest priority."

I think that we need to respond to the Commission's urgings. We can do so, I believe, through modification of S. 1727 and merging it with Senator Quayle's proposal for a Defense Acquisition Service, S. 2082. While I believe that the problems facing other federal agencies in recruiting and retaining scientists, engineers and key acquisition personnel are as severe as those facing the Defense Department, we might start out by using the fiscal year 1987 Defense Authorization Act as a vehicle to give the Secretary of Defense the authority to set up alternative personnel management systems for these specialities.

Clearly, this is a matter that will have to be closely coordinated between this subcommittee and the Defense Acquisition Policy Subcommittee of the Senate Armed Services Committee. We are going to need the Packard Commission's input on which non-technical acquisition personnel to bring under the alternative personnel management system. To the extent that real problems in recruitment and retention can be documented for categories of acquisition personnel, I personally would favor including them in the legislation.

For the record, let me cite a few statistics about the problems facing the Defense Department in the quality of its civilian scientific and engineering workforce. Particularly disturbing to me are the Defense Department data which show declining aptitude scores for scientist and engineer new-hires as compared to national norms. I would like to put in the record at the end of my statement a copy of a letter which describes the quality of new engineering recruits at an Army installation in Virginia. A member of the Virginia Society of Professional Engineers concludes that letter with a statement that "the long-term effect could be disastrous" if we continue the current practice of filling entry-level engineering positions with unqualified engineering technology graduates.

The same is true in the other services. The number of Air Force civilian scientists and engineers who resigned from federal service has doubled between 1981 and 1984. In a recent survey of problems in recruiting at the Naval Research Laboratory, 93 of 102 unsuccessful recruiting actions were found to be due to low federal entry salaries.

We should all be proud of Dr. Jerome Karle, an NRL scientist who won the Nobel chemistry prize last year, and of his wife who is a distinguished scientist in her own right. But the Doctors Karle came to work at NRL just after World

War II and have remained ever since. Until the early 1960's the federal government was able to recruit top quality scientists and engineers. Government was where the action was and federal compensation was more in line with the private sector. But that generation of scientists and engineers who came to government service prior to the mid-1960's have now passed their most productive years and there is not a new generation of equal caliber ready to take their places, whether at DoD, or NASA, or the National Institutes of Health. One indicator of this comes from Science Digest which conducted a survey about a year and a half ago to try to determine the hundred top young scientists in America under age 40. Only two of the hundred scientists identified were employed by the federal government, despite the federal sector's 13 percent share of national R & D resources. One was at the Uniformed Services University of the Health Sciences, a DoD laboratory, and the other at the Centers for Disease Control in Atlanta. I would note that doctors at these facilities are among the few federal scientific personnel drawing special pay above civil service pay schedule rates today. In contrast, five Department of Energy contractor-operated laboratories -- Los Alamos, Sandia, Lawrence Berkeley, Lawrence Livermore and Argonne -- employed 21 of the hundred top young scientists while controlling only about 2.5 percent of our national R & D resources.

All of this, of course, should raise great concerns for this Committee and the Congress as a whole. In 1985, federal civilian scientists and engineers spent some $13.3 billion on research projects at government in-house laboratories and directed the expenditure of $36.5 billion in additional federal R & D resources in industry, contractor-operated laboratories,universities and non-profit institutions. That is almost half of the national R & D enterprise, including all of our defense R & D so vital to our national security. I believe that we simply must try to get the very best people we can to manage these R & D resources. As Mr. Packard's Laboratory Review Panel observed in its 1983 report, "a key to a laboratory's success is a high quality and properly motivated scientific staff."

I have talked a great deal about the quality problem which S. 1727 is designed to address. Let me now summarize key features of the bill.

The legislation would permit agencies to establish alternative systems for managing scientific and technical personnel based upon guidelines established by the Office of Personnel Management. These guidelines make performance the primary determinant of pay in lieu of longevity. They provide for equal pay for substantially equal work. They simplify job classification and performance evaluation, and create broad pay bands in lieu of the civil service general schedule grade structure. They create a senior scientific and technical personnel service analogous to the senior executive service.

The legislation would allow up to five percent of the personnel under the alternative systems to be paid salaries above the executive level IV paycap, but not to exceed the maximum base pay of the director of a government-owned contractor-operated laboratory. The five percent figure was based upon experience at the government-owned contractor-operated labs such as Los Alamos and Sandia. I would note that it is this provision which Secretary Lehman so heartily endorsed in testimony a month ago before the Acquisition Policy Subcommittee of the Armed Services Committee. The bill would also remove bonuses from paycap limits. It would establish a three-year probationary period for new employees coming under the alternative system. It would permit the establishment of a special retirement program for employees coming under the alternative system, essentially allowing the employee to set aside up to ten percent of his or her salary in a 401(k) plan. The goal of this retirement provision was to make the civil service retirement system more attractive to those scientists and engineers who come to work for government for only a limited period. In light of the pending conference agreement on the new Civil Service Retirement Act, which as I understand it has a 401(k) provision, this part of S. 1727 as introduced probably can now be dropped.

The bill places importance on labor market factors, including geographical factors, in setting pay within the alternative structure. The legislation provides the opportunity to straightforwardly connect the job classification process for federal scientific and technical personnel to the market-place. It provides for a great deal of agency flexibility in setting up the system to fit its needs within the framework of the bill. Finally, the bill gives the Office of Personnel Management broad authority to regulate the alternative systems set up by the agencies and to limit the costs incurred in setting up these systems. The one difference between S. 1727 and H.R. 3480 is the inclusion in the former, but not in the latter, of the cost containment authority for OPM.

S. 1727 would essentially allow the federal agencies to manage their scientific and technical personnel more like the way the Department of Energy allows its contractors to operate its government-owned contractor-operated laboratories. The bill builds on the experience acquired with the demonstration project carried out by the Navy at the

Naval Weapons Center, China Lake, and the Naval Oceans System Center, San Diego. By all reports, this demonstration project has been an outstanding success and Secretary Lehman can justifiably be proud of it. For example, the quality of entry-level scientists and engineers at China Lake has taken a significant step upward. In 1979 the average grade point average of entry-level professionals at China Lake was only 2.73. Over the past three years their GPA's have averaged 3.30. At both labs, retention rates for scientists and engineers are now highest for the best performers and go down as performance evaluations drop. Morale at the two laboratories is high with 82 percent of the employees reporting that they prefer the alternative system to the system in which they previously worked.

Just as we have seen a revitalization of these two Navy laboratories and as we have seen ongoing excellence at the government-owned contractor-operated laboratories run by the Department of Energy, I believe that the legislation which Senator Gore and I and six other Senators have introduced could revitalize our entire federal science and technology enterprise.

The legislation, as introduced in October, could potentially affect up to some 169,000 scientists and engineers employed by the federal agencies. The bill was designed to cover those with specialities in the hard sciences and engineering. The bill excluded personnel in the medical sciences because they are covered by separate special pay provisions and apparently wanted to continue to work within that system. The bill excluded the social sciences because evidence was not available that the federal agencies faced similar quality problems in those fields.

If the bill were restricted to the Defense Department, the number of potentially affected individuals would be about 80,000, the vast majority of whom would be employed in the acquisition process broadly defined. It would be up to the Defense Department and the Office of Personnel Management to decide how broadly to use the authority granted in the proposed legislation. My hope is that it would be broadly applied, especially in the in-house laboratories and in the acquisition and logistics commands.

I should make it very clear at this point, however, that the goal of this legislation is to improve the quality of the personnel working in this critical area and to do so by providing flexibility in personnel management. My purpose is not to simply give an across-the-board pay raise to federal civilian scientists and engineers. The cost of giving 169,000 people (or 80,000 people if the legislation were restricted only to the Defense Department) even a modest pay raise would quickly run afoul of the budget resolution's constraints.

I intend that this legislation be implemented at no additional cost to the government. As I noted earlier, the bill gives the Office of Personnel Management the authority to control these costs. To the extent that pay is increased to attract and retain top quality scientists and engineers, the number of scientists and engineers employed by the federal government will have to be decreased through attrition and the pay of less productive scientists and engineers will have to be frozen. I do not see this as a hardship for the federal agencies. The productivity of the very best scientists and engineers is many times that of their less talented colleagues. The productivity of a whole laboratory can be increased by the presence of a single gifted individual. In testifying before the Acquisition Policy Subcommittee last month, Mr. Earle Williams, President of BDM International, put it this way: "a $60,000 a year physicist retained for system design and architecture cannot be replaced by two $30,000 a year physicists." So I think we can move to a smaller, higher quality, science, engineering and acquisition workforce by using the framework set out in the Federal Science and Technology Revitalization Act, which Mr. Packard inspired.

Let me conclude by emphasizing once again that we have a real opportunity to make a very constructive contribution to the improvement of the defense acquisition process by following up on the Packard Commission's and the Packard Panel's recommendations in this area. Well thought-out legislative proposals building on the China Lake experience have been kicking around in the bureaucracy for almost three years now. There are differences among the proposals, especially concerning the occupational coverage of the alternative personnel managements systems. But I think that this Subcommittee, in collaboration with the Defense Acquisition Policy Subcommittee of the Senate Armed Services Committee, can resolve these issues by working together in the coming weeks.

Mr. Chairman, let me again thank you for this opportunity to describe the Federal Science and Technology Revitalization Act. I know from my previous work on this Subcommittee how committed you are to restoring excellence in federal management. I hope that my presentation today will facilitate the Subcommittee's work in this area.

VIRGINIA SOCIETY OF PROFESSIONAL ENGINEERS
700 East Main Street, Suite 1514
Richmond, Virginia 23219
Telephone: (804) 780-2491

EXECUTIVE DIRECTOR
Mark D. Tobin
PRESIDENT
James O. Hite, Jr., P.E.
Baldwin & Gregg, Ltd.
P.O. Box [illegible]
Norfolk, VA [illegible]

PRESIDENT-ELECT
Albert L. Nichols, Jr., P.E.
Wiley & Wilson, Inc.
P.O. Box 877
Lynchburg, VA 24505

TREASURER
Donald F. Clarke, P.E.
C&P Telephone Co.
P.O. Box 27241
Richmond, VA 23261

REGIONAL
VICE-PRESIDENTS
Central
Robert G. Roop, P.E.
J. K. Timmons & Assoc., Inc.
711 North Courthouse Road
Richmond, VA 23235
Northern
Charles J. Vincent, P.E.
[illegible] Hedges Run Drive
Woodbridge, VA [illegible]
Southeastern
George T. McAllister, P.E.
[illegible] Court
Williamsburg, VA 23185
Western
John B. Boardman, P.E.
Wiley & Wilson, Inc.
P.O. Box 877
Lynchburg, VA 24505

NATIONAL DIRECTORS
Louis L. Guy, Jr., P.E.
Guy & Davis
[illegible] Road
Burke, VA 22015
William R. Smith, P.E.
Baldwin & Gregg, Ltd.
P.O. Box [illegible]
Norfolk, VA [illegible]

PAST PRESIDENT
William A. Drewry, P.E.
Dept. Civil Engineering
Old Dominion University
Norfolk, VA 23508

PRACTICE DIVISION
VICE-PRESIDENTS
CONSTRUCTION (PEC)
Samuel W. Putney, Jr., P.E.
Route 6, Box 77
Farmville, VA 23901
EDUCATION (PEE)
Homer T. Hurst, P.E.
[illegible], SW
Blacksburg, VA 24060
GOVERNMENT (PEG)
Frank B. W. Woodbury, P.E.
2801 Park Drive, Apt. A1603
Alexandria, VA 22302
INDUSTRY (PEI)
Val [illegible], P.E.
[illegible] Drive
Richmond, VA [illegible]
PRIVATE PRACTICE (PEPP)
Robert E. Miller, III, P.E.
[illegible], P.C.
[illegible] Road, Suite F
Virginia Beach, VA [illegible]

Address reply to:

[redacted]

8 December 1985

Franklin B. W. Woodbury, P.E.
Chairman PEG - VSPE
2801 Park Center Drive A-1603
Alexandria, Va. 22302

Dear Frank,

I would like to bring to your attention a current hiring practice at the Civilian Personnel Office [redacted] whereby engineering technology graduates are being rated eligible for GS-5 engineering positions without meeting all the requirements set forth in the qualification standards for Professional Engineering Series. Based on this eligibility, the [redacted] is hiring these technology graduates and placing them in a career intern program, progressing from a GS-5 position to a GS-11 position during a 30-month training period. As you know, promotion is not guaranteed to the career intern, but in practice, the promotions are almost automatic. Unless the intern is grossly inadequate, most supervisors will not take the time to document reasons for nonpromotion.

In order to get a better understanding of this situation, I talked to both the [redacted] career guidance counselor and the CPO classifer. During my discussion with the [redacted] counselor, it was apparent that Civil Service, with the current pay structure, was not attracting applications from the engineering degree graduates. It was stated that at a recent job fair, not a single engineering graduate chose to talk to the Government representative. The engineering technology graduates, on the other hand, did talk to the Government representative and were encouraged to submit applications. When received, these applications are then sent to a CPO classifier who determines eligibility. After being rated, the application is then returned to [redacted] for consideration.

At this point the bureaucracy takes over. The supervisor is faced with filling a vacant engineering position, which may be lost if it stays vacant very long, and a very limited referral list. As the referral list is routed through the supervisors with vacant positions, the best people are chosen, leaving the last supervisor with the option of selecting the technology graduate or of leaving the position open. In general, the position is filled. I asked one supervisor why he had selected a mechanical engineering technology graduate with no experience in the aircraft field, for an aviation-oriented aerospace engineering research and development position. He stated that as CPO had rated the person eligible, why not? Back to the fill or lose situation.

After reviewing the qualification standards for the Professional Engineering Series (118),I talked to the CPO classifier. In order to have a meaningful discussion, I selected one application to review. This person had received a Bachelor of Science in Engineering Technology from a local school but CPO did not know if the school was accredited by ABET. A review of courses taken indicated 32 hours in the physical, mathematical, and engineering sciences as opposed to the 60 hours required by the standard. No EIT test had been taken or passed. At this point I asked the CPO classifier on what basis had the applicant been rated eligible for a GS-5 engineering position. The classifier stated that this particular applicant was found eligibile under the alternate requirement, paragraph 4. I am attaching a copy of the qualification standards (ENCL 1) and a copy of the applicant's work record (ENCL 2) so you may determine yourself if the requirements were met.

As part of the training program, I assigned this particular intern the task of designing a simple test fixture for a ballistic experiment. Ample time was given to do the work. The results were so disastrous and showed such a lack of basic engineering knowledge, I could hardly believe it. I then selected three simple problems for the intern (Encl 3, 4, 5) to establish some working level from which to start. Out of these three, the intern could only solve number five, and had no idea what to do with three and four. I then assigned him to a review of the electrical control circuits used at our Ballistic Range, primarily to get him acquainted with the system, and then to suggest what could be done to improve the overall operation. The results of this effort were also disappointing. The intern realized at this point that he could not perform even very simple engineering tasks, and that I knew it. The intern then went to my supervisor and asked to be transferred out of my group. The supervisor was fully aware of the intern's ability at this point, but still granted the transfer. This person is totally incompetent as an engineer but will continue to occupy an engineering slot at this Directorate unless the supervisor takes some positive action to have him removed.

I then contacted an acquaintance of mine, a professor of engineering at the same school that the intern had attended, to discuss the general educational background of the Engineering Technology graduates. I showed this professor the work and problems that I had asked the intern to do. After looking at the problems, he stated that it did not surprise him that the technology graduate could not work them. He further stated that even though the technology students took courses such as statics, strength of materials, fluid mechanics, etc. the level of instruction was very shallow compared to that required of engineering students. He also stated he was aware that instructors in the technology department were telling their students that they were receiving the same education as the engineering students and could perform the same job, even though they were not being given the education to do so. Based on their education level, he was surprised that the civil service classifer would rate a technology graduate as an engineer, without further proof of ability. His experience with private industry, and verfied independently by me, was that the engineering technology graduate could not perform as an engineer, and in fact were not being hired as such, but rather in a technician capacity.

There are a number of issues, based on the above, that could be discussed at this point; however, I feel that a more basic issue, that of the inability of the Federal Service to attract graduate engineering degree candidates, is the basic issue. With the present pay scale and benefit package, the Federal Service will continue to experience difficulty in attracting engineering graduates. The shortage of qualified engineers is apparent at the working level, but may not be apparent to higher officials at OPM or Congress if existing vacancies are filled with technology graduates. The near term objective, that of filling the vacancy is met, but the long term effect could be disastrous.

STATEMENT OF

DAVID PACKARD
CHAIRMAN OF THE BOARD
HEWLETT-PACKARD COMPANY
PALO ALTO, CALIFORNIA

BEFORE THE
SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE AND GENERAL SERVICES

UNITED STATES SENATE

APRIL 15, 1986

OPENING STATEMENT

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to discuss with you the subject of personnel in the federal government. I cannot overemphasize the need to make sure that we get high quality people to fill critical positions in the government. Presidential Commissions may recommend, and Congress may legislate the creation of new positions or more effective organization structures. But without the right kinds of people in these jobs, the structure alone will not solve the problem.

I will base my remarks today on my experience as a former Deputy Secretary of Defense, on the review of federal laboratories that I chaired for the White House Science Council, as well as on my present work with the President's Commission on Defense Management. My focus will be on federal scientists and engineers and on critical acquisition personnel in the Department of Defense.

Let me address first the issue of scientists and engineers.

Research and development are key to both our national security and industrial competitiveness. In the past 10 years both federal and private support for R&D in the United States have been increasing in constant dollars, and in 1985 this support reached an all-time high of $107 billion, about 47 percent of which was federal. Ironically, with more national emphasis on R&D than ever before, the federal government's inability to attract and retain qualified scientists and engineers has become a major problem.

At the heart of the problem is pay, with rigidity and inertia of the personnel administration system being a less important but contributing factor. The pay disparity between government and industry began to grow with the last cycle of inflation, when increases in federal salaries failed to keep pace. The problem is particularly acute in the scientific and engineering fields, where industrial pay scales have risen faster than the rest. Congress has made the problem worse by insisting on linking congressional and civil service pay. Because Congress is reluctant to raise its own pay, civil service salaries have been capped for at least six years; in 1986 the salary ceiling is $72,300. The result is not only lower federal salaries, but also severe salary compression at the senior levels, which penalizes some of the most highly trained and experienced people entrusted with critical responsibilities.

In 1984 the General Accounting Office found that federal engineers' salaries were 47 percent lower than those in the private sector at the entry level and 25 percent lower at the more experienced (GS-11) level. A recent Air Force survey showed that for computer scientists federal civilian starting salaries are 30 to 40 percent lower than those in industry. Data from other agencies tell the same story.

There are indications that problems exist in other critical career fields as well. For example, in my role as Chairman of the President's Blue Ribbon Commission on Defense Management, I found that the Defense Department is losing many of its best contracting specialists at critical stages in their careers, principally at the journeyman level of GS-9, 11 and 12. In 1984 there was a 68 percent increase over previous years in the number of contracting specialist resignations.

Forty-five percent of those resigning said they did so to join private industry, where they expected to find higher pay and increased promotion opportunities. A recent independent survey of purchasing managers verified the high pay issue. Their data showed that private industry salaries were 16 to 51 percent higher than for Defense Department contracting specialists at comparable levels of experience and responsibility.

Faced with problems in recruiting, federal agencies often have to choose between accepting a less qualified candidate or leaving a position vacant. Defense Department data show that the aptitude scores of newly hired scientists and engineers are declining relative to national norms. This situation illustrates that the nation is getting only what it is willing to pay for.

Not only are federal salaries noncompetitive, but fringe benefits are eroding as well. Although the federal pension plan is still relatively generous, it has been affected by recent budget cuts and is often matched or exceeded in the private sector. Federal health and life insurance provisions and annual and sick leave allowances are far less generous than those offered by many private companies and universities.

In 1982 I chaired a White House Science Council panel established to review the federal laboratories and recommend actions to improve their use and performance. The panel concluded that the inability of many federal laboratories -- especially those under civil service restraints -- to attract, retain, and motivate qualified scientists and engineers limits the productivity of the laboratories. If not corrected, this situation will seriously threaten their vitality.

In examining the various factors that contribute to these problems, our Federal Laboratory Review Panel compared administrative practices in government-operated laboratories with those in industrial R&D organizations. We found that industry typically places more administrative control over technical personnel in the hands of technical supervisors than do government-operated laboratories. In the federal system, personnel administration is handled by a more or less autonomous bureaucracy focused on procedures and standardization rather than on technical achievement. The federal government also commonly imposes personnel ceilings as well as budgetary controls on the laboratories, while the general industrial practice is to use budgetary control alone. Our panel recommended that government-operated laboratories, also, use budgetary control alone.

Another problem of federal personnel administration, and one that differs from customary practice in industry, is the emphasis on length of service rather than quality of performance in determining salary increases. Thus, a federal employee who has a clean service record is assured of a step increase at regular intervals regardless of productivity. Conversely, the process of rewarding high performers is administratively cumbersome, and most bonuses and promotions are difficult to push through the system.

A greater exchange of scientists and engineers between government and academia would provide new ideas, not only to laboratories, but also to federal R&D program offices. Unfortunately, the current structure and rigidity of the federal personnel system inhibit the mobility of technical personnel between government and universities. Pay comparability would do a lot to improve the situation, as would additional flexibility in retirement accounts. There is no reason, for example, why academics who join a federal organization should not have the option of retaining their own pension plans rather than being required to join the federal one.

The Navy is attempting to rectify some of these personnel management problems in a demonstration project started in 1980 at two of its California laboratories, the Naval Weapons Center at China Lake and the Naval Ocean Systems Center in San Diego. An alternative personnel management system has been created at each facility that, among other things, aggregates the numerous civil service grades into broad pay bands, links pay to performance, and simplifies personnel administration. The broad pay bands give supervisors more flexibility in making initial salary offers and giving subsequent in-grade raises; they also permit more generic job descriptions and greater latitude in rewarding deserving individuals without having to promote them. In contrast, the existing civil service system, with its many narrowly and rigidly defined grades, makes it difficult to match market rates for scarce talent. This system also forces supervisors to rewrite job descriptions, thereby justifying promotion to higher grades, in order to give employees pay raises.

I believe that the general approach to personnel management demonstrated at China Lake needs to be expanded to cover more of the federal work force. In particular, we have identified a need to stop the talent drain among scientists and engineers as well as critical Defense acquisition personnel. We need to bring modern personnel management practices into the federal government, and this will require some structural changes as well as greater flexibility in the pay system.

Inevitably, if we want to attract and keep good people in the federal government, we will have to pay them at or near the going market rates. The China Lake system works quite well at the entry and middle levels in providing salary comparability with the private sector. However, we must also make allowances to have some top quality people in the very senior positions. These are the people who will provide the ideas and leadership to keep our R&D and systems acquisition activities above the level of mediocrity.

Today, for example, the directors of large federally operated laboratories are paid only about half as much as their counterparts in contractor-operated laboratories. Some provision must be made to pay them above the current ceiling before the government loses the majority of its best talent. Adopting the China Lake approach solves part of the pay problem, but this issue of the pay cap must be dealt with in order to solve the whole problem.

It is important to ask how much all this will cost. I believe that present budgetary controls are adequate to limit costs. A program or laboratory manager, given a fixed budget for personnel costs, can make the necessary trade-offs between quality and quantity. In other words, the manager must understand that getting better people at higher salaries will mean having fewer of them within the budget constraint. From the defense systems acquisition point of view, this would certainly be a move in the right direction, since indications are that there are already too many people cluttering up the acquisition process.

I cannot overemphasize the need to do something about this situation very soon. The problems that I mentioned regarding federal scientists and engineers were identified three years ago. The problems with defense acquisition personnel have been identified within the past year and affect large dollar amounts in the federal budget. Time is running out. Many of the best senior people are nearing retirement age, and many of the subordinates who would have replaced them have left the government. Congress has an opportunity to pass remedial legislation this year, and I urge you do so.

I appreciate the opportunity to appear before this Subcommittee, and I will be pleased to respond to your questions.

STATEMENT

OF

Carl E. Grant
Director, Personnel Programs Division
Office of Management

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

before the

Subcommittee on Civil Service
Post Office and General Services
Senate Governmental Affairs Committee

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the experiences of NASA in recruiting and retaining top quality scientists and engineers; and, further I appreciate your recognition that there are current systems inadequacies which impede our efforts to hire and retain the highest quality personnel in the Federal Service.

Historically, NASA has been able to compete quite well for scientific and engineering talent because of the exciting nature of our mission, our unparalleled facilities, the educational opportunities we offer, and the challenging jobs individuals are given to perform. However, we are finding it increasingly difficult to compete with the private sector in recruiting top quality graduates and the best executives in the scientific and engineering community. Our toughest competitors are aerospace firms performing Government contracts. They can offer the higher salaries and better benefits and still provide the excitement and challenge of association and involvement with the Nation's space endeavors.

Our concern, based on recent trends, is heightened by the basic need of a research and development agency to remain on the cutting edge of technology--performing functions that are critical for this country to maintain its leadership in space and aeronautics. We have been able to do this only by employing top quality people.

Our eight field centers do on-campus college interviewing at more than 150 different schools. However, our private industry competitors often send numerous representatives to campuses prior to their interview dates in order to host various activities. Their financial resources allow them to do the type of marketing necessary to attract students to their interviewing schedules. Once the students are interviewed, our competitors have the resources to invite students to tour their facilities. Their salary offers typically average between $3,000-$5,000 per year more than NASA can offer.

Despite our best efforts, more than 40 percent of our employment offers to freshouts were declined in FY 1985. At our Ames Research Center in California, for instance, 55 percent of the offers were declined.

These declination rates, however, do not capture the magnitude of the problem since they reflect only those who turn down a formal employment offer. Far more students simply indicate that they are no longer interested in being considered once they compare our salary offers with those offered to them by private industry. Although we have been unable to quantify the exact number, we firmly believe that only by adding the "no longer interested" responses to the 40 percent declination rate can one begin to realize the serious nature of the problem.

In our opinion, the most serious failing of the current Civil Service system with respect to our primary occupations is pay disparity. Between FY 1983 and FY 1985, NASA scientist and engineer losses for reasons other than retirement increased from 294 to 361 employees. Most of our separations occurred at the GS-13 grade level and above and represent the loss of fully trained, experienced personnel. Of the 361 losses nearly 25 percent indicated their resignation was due to a higher paying outside position. It is our perception that a greater number actually leave to accept higher paying positions but do not indicate that as the specific reason. We also know that some personnel who retire also do so to accept higher paying positions, but we have no specific data on the numbers involved.

Our concern for the future is heightened because retirement eligibles are an increasing segment of our work force. Currently 11.2 percent of our scientists and engineers are eligible for optional retirement--meaning they could walk out the door today. Over the past three years, about 17-20 percent of all eligible employees have elected to do so annually. Even if that rate of election remains constant over the next five years, the actual number of retirements will increase annually because more and more employees will become eligible. Most significant is the fact that 17 percent of our scientists and engineers will be eligible for retirement by 1989, even after allowing for a reasonable number of retirements along the way.

Let me summarize by saying that we feel an acute need for greater flexibility in the salaries we may offer our scientists and engineers at all levels. Additional flexibilities and incentives to attract quality personnel are clearly needed. These problems we face, however, are not limited to NASA alone, but are being felt in a number of other agencies. NASA has been participating in an Administration review of this issue, chaired by Constance Horner, the Director of OPM, and I understand that recommendations are going to be submitted to the President in the near future. Again, I thank you for the opportunity to be here and look forward to an improved Civil Service System.

Responses to written questions to Carl Grant submitted by Senator Gore

Question 1: In your statement you identify higher pay rates as one of the key issues in recruiting and retaining personnel, particularly scientists and technicians. Do you feel that higher pay is the definitive answer or are there other aspects of the personnel system, such as job classifications, that need to be revamped?

Answer 1: Noncompetitive pay is the problem that needs correction more than any other. We believe that allowing NASA to structure a classification/pay system that addresses NASA's occupational mix, career patterns, hiring pressures and market competition will result in more efficient and effective personnel administration within NASA. However, competitive, flexible pay is the driver.

Question 2: (a) I know you are familiar with Navy's demonstration project at China Lake and San Diego. They have had remarkable success with the program and not only has the retention rate been improved but employee morale is up. Do you feel that a similar personnel system would help your agencies retain quality personnel?

(b) Do you think that this new personnel system would provide enough leeway to make the pay increases useful?

(c) Do you feel that lifting the pay cap for some, if not all, employees would assist you in recruiting and retaining quality personnel?

(d) It has been said that the success of the alternative pay system at China Lake and San Diego has come not because of the increased pay and flexibility but because the employees feel that their work is worthwhile and that they are making a unique and patriotic contribution to the country through their work. Do you think that is true? Do you think that this would be a common phenomenon at many government facilities?

(e) If the success does come from a patriotic feeling or sense of the importance of the mission, isn't that an argument against contracting out? Wouldn't a worker employed directly by the government have a better feeling for the value of his/her work?

(f) It has also been said that the success of the demonstration project stems at least partially from the relative low level of employee group activity at those facilities. Do you believe that at facilities where there is a greater amount of employee group activity the alternative personnel system would be less successful?

(g) Given the success of the China Lake/San Diego demonstration project, why haven't more agencies asked for similar projects?

Answer 2: (a) NASA managers have been impressed with the results of the Navy Demonstration Project. The features which allow more flexibility in setting pay and more authority to supervisors are attractive. We believe that such a system would be beneficial to NASA in recruiting and retaining well qualified employees.

(b) The provisions described in S.1727 concerning pay systems authorize the Office of Personnel Management to establish new salary structures for covered positions which would be competitive with non-Government employers. With respect to scientists and engineers at entry level and senior management levels, we want to be able to compete realistically for the best talent. The bill appears to permit this. However, we will be able to compete for talent at the entry level only if the Office of Personnel Management establishes salary structures which allow us to meet the average offers coming from the private sector. That is what we hope is intended by the wording in section 5603(c)(2).

(c) In S.1727, the needed leeway for senior positions will exist only for the five percent which can be designated above the pay cap. Lifting the pay cap for five percent of our scientists and engineers would give relief from salary compression and noncompetitive pay in the top management ranks. Within NASA, this would significantly help recruitment and retention in these leadership positions. Otherwise, there is nothing in this bill for pay compression at the top because the pay cap will defeat the statutory requirement that the salary structures reflect what the private sector is paying.

(d) I am sure that the Navy employees who work in the demonstration project labs have a strong sense of pride and commitment to their work, but that sense of the importance of the Navy's work was certainly felt by the employees long before the demonstration project and should not be assumed to have caused the improvements in recruitments, retention, productivity or morale that have occurred during the past six years. The major changes in the two labs have been the direct and indirect effects of the demonstration project. Within the hundreds of Federal activities that could establish alternative personnel systems for scientists and engineers, there is an enormous reservoir of loyalty and commitment to the Government's work. Those activities which would try an alternative system if given the opportunity are those which have managers who are looking for ways to make improvements. This desire is not unique to the Navy labs.

(e) In NASA, our mission has always been the main draw to attract talented scientists and engineers. Our management philosophy includes building team loyalty among our employees and sharing the pride in all the Agency's accomplishments. The Civil Service employees conduct research and development, and they also manage and monitor R&D work which is performed under contract. The importance of commitment to the mission should not be confused with commitment to a Civil Service job. We believe that the people who are employed by private contractors to work on NASA projects are also inspired by the importance of the job and that those people participate fully in our successes and our failures.

(f) The effect of the alternative personnel systems would be quite different in activities where there is a high degree of employee group activity, whether through recognized labor unions or activist non-unionized groups of employees. That does not mean the alternative systems would be less successful, but the new systems would probably be structured individually with specific local concerns in the forefront. In this era when human resource management theory is stressing participative management and open communications, we would not expect alternative systems to be unilaterally defined and implemented by agency management in any case.

(g) Your question of more agencies asking for similar projects, given the success of the Navy project, has been answered by a number of agencies, including NASA. Members of NASA's personnel staff have been in touch with the Office of Personnel Management (OPM) concerning demonstration projects in general and some features of the Navy project in particular. We have been told that over several years many requests have been made by other agencies to try some or all of the features in the Navy project. It is very popular with Federal managers. It offers some relief on several common vexing problems. However, OPM has not accepted proposals for demonstration projects that duplicate what is already being tested by the Navy. We will need broad, enabling legislation to extend the China Lake concepts to other Federal activities or else the ideas will never go beyond one interesting experiment at two labs.

Question 3: In a perfect world, I would assume you would prefer an organization by organization coverage or the authority to expand coverage to all occupations. If the subcommittee were forced to choose between covering scientists and technicians or doing nothing, what would be most beneficial for you agency?

Concerns have been voiced that if agencies implemented an alternative personnel system organization by organization, it might create problems in intra-agency mobility. Employees under one personnel system might be reluctant to change systems as they moved from one organization to another. Do you foresee any such problems?

Answer 3: NASA would prefer the coverage to be open to all occupations. However, scientists and engineers are the mainstream occupations in which we see the most need for more flexibility, and limited coverage would be preferred to no change at all.

We do not believe intra-agency mobility would be greatly hampered by the existence of alternative personnel systems. In our experience, the main competition for talent is with the private sector not other agencies. Employees who are interested in Federal employment learn to cope with the "systems" within which they work.

Question 4: Senator Levin requested a list of hard to fill occupations. If you had to prioritize which occupations were included under an alternative personnel system, which would you want covered first?

Answer 4: Priority of occupations to be included in an alternative personnel system are as follows:

1. Scientists, engineers and computer specialists
2. Administrative professionals
3. Engineering technicians
4. Clerical employees
5. Wage grade occupations

Question 5: Are there other reforms that are not contained in these bills that you believe would help your agency fill its personnel needs?

Answer 5: Yes. We need a competitive hiring mechanism for bringing new college graduates into administrative occupations such as personnel, computer programming, supply management, and budget. Since the cancellation of the PACE Examination, entrants have been limited to reassignment of clerical personnel and a small number of special college placement programs. Over several years, the absence of a cadre of college educated entrants is degrading the overall depth and breadth of some occupations.

Question 6: Would your agency benefit from S.2082? Are there problems in your acquisition service that warrant a legislative response?

Answer 6: The problems that S.2082 addresses also exist within NASA. However, it is unclear how we would really benefit considering the DOD focus of the proposal. Major problems in the acquisition service area have been the lack of a competitive examination which would allow NASA to hire recent college graduates into career training programs and the lack of rigor and specificity in the Government-wide qualifications requirements. The OPM is currently instituting a new competitive exam for the procurement occupation. If the broader legislative proposals are adopted, we believe we could solve problems in the acquisition area without separate legislation just for that occupational area.

Question 7: As I'm sure you are aware, several bills have been introduced that would have a marked impact on Federal employees. I am particularly interested in S.2197, the Option Early Retirement Act of 1986. I am afraid that such a bill will accelerate the "brain drain" that has been plaguing the government. What do you believe the effect of this bill will be on your agencies and their struggles to retain quality personnel?

Answer 7: We in NASA share your concern that this bill will accelerate the "brain drain." During the period targeted in the Bill, approximately 2,600 NASA employees are or will become eligible for optional retirement (fully eligible to leave at any time). Attrition for this group historically has been 18-20% per year. Over the six month period of the Bill, this represents about 250 losses. Under the expanded eligibility provisions of the Bill, an additional 6,100 would become eligible. Our past experience with early out authority indicates that, on the average across centers which have had an early out, approximately 20% of those eligible elected to retire. If our past pattern continues, nearly 1,200 employees would leave during the open period provided in the Bill. Combined with the 250 projected optional retirements, this would represent almost 1,500 losses which could not be replaced until October 1991. Further analysis shows that of the eligible population of 8,700, 55% are scientists and engineers, and 78% are employees GS-12 and above. Clearly, if the Bill becomes reality, it could result in a large exodus of critical employees who could not be replaced until October 1991. This would have a major impact on programs and missions and could necessitate restructuring of our organization and perhaps make us unable to carry out some functions.

STATEMENT - BY

EDWARD E. NICHOLAS, JR.

DIRECTOR, DIVISION OF PERSONNEL MANAGEMENT

NATIONAL INSTITUTES OF HEALTH

PUBLIC HEALTH SERVICE

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE,

AND GENERAL SERVICES

COMMITTEE ON GOVERNMENTAL AFFAIRS

U.S. SENATE

APRIL 15, 1986

Recruitment and Retention Problems at the National Institutes of Health

Mr. Chairman:

I'm Ed Nicholas, Director of Personnel at the National Institutes of Health. I very much appreciate the opportunity to discuss with your Committee some of the personnel retention and recruitment experiences of the National Institutes of Health.

For example:

- While we currently have existing authority for special pay that includes personnel categories ranging from medical technicians to physicians we nevertheless have continuing problems. For the year 1985, turnover rates for Critical Care Therapists was 55%, 11% for Diagnostic Radiologic Technicians, 37% for Nuclear Medicine Technologists, and 37% for Pharmacists.

- In an attempt to recruit nuclear medicine technologists, NIH personnel staff specialists attended a meeting held by the Greater New York Chapter of the Society of Nuclear Medicine. Out of 200 nuclear medicine technicians and nuclear medicine technician students attending the meeting the Clinical Center had only 2 requests for interviews. In a subsequent meeting of The Society of Nuclear Medicine, 300 nuclear medicine technicians and nuclear medicine students attended, yet the Clinical Center received only 4 requests for interviews. Both examples highlight the Clinical Centers inability to compete with institutions that can offer significantly higher salaries in medical specialty fields.

- The Veterans Administration annual salary for pharmacists at the GS-09 and GS-11 under their special pay rates is \$3,000 - \$4,500 greater than that paid by the Clinical Center for the same grade position and the Clinical Center is therefore constantly competing with the Veterans Administration for the same pool of candidates in this geographic area. Statistics show over 70% of job offers made to Pharmacists are turned down based on salary. Furthermore, during the past 5 years out of 29 pharmacists who completed a one-year Clinical Center internship training program, only 2 remained after training to work at the Clinical Center. Information gathered from exit interviews conducted indicate that most of those who left gave salary as their reason for resigning.

- The average salary in the private sector for Medical Machine Technicians is \$23,086. We can only offer \$17,824 or GS-07, Step 1 for the equivalent experience.

- In the January 1986 issue of the Confidential Wage and Salary Survey Report of the Hospital Council National Capital Area, NIH's annual salary compared to the highest competitor for the 5 occupations listed below was as follows:

Nuclear Medical Technician	$2,308.80 less per year
Critical Care Therapist	8,923 less per year
Diagnostic Radiology Tech.	4,659 less per year
Diagnostic Radiology Tech. (Special Procedures)	5,220.80 less per year
Pharmacist	8,382 less per year

It must be recognized that change is called for and that the problems we face are also to be found in other agencies. Because of the need for a coordinated, manageable solution to this government-wide probelem, the Adminstration has been reviewing this whole area. I understand that proposals will soon be submitted to the President for his decision.

April 11, 1986

I'll be happy to answer any questions that the committee may have.

Questions from Senator Albert Gore
U. S. Senate Committee on Governmental Affairs
Subcommittee on Civil Service, Post Office, and General Services
Hearing on S. 1327, S. 1727, and S. 2082

Question 1: In your statement, you identify higher pay rates as one of the key issues in recruiting and retaining personnel, particularly scientists and technicians. Do you feel that higher pay is the definitive answer or are there other aspects of the personnel system, such as job classifications, that need to be revamped?

Response : Higher pay is clearly a key issue for the recruitment and retention of senior level scientists. That alone, however, cannot be expected to be a panacea for filling such positions. We know from experience that the incentives for attracting and keeping scientists at NIH are generally multi-faceted and often have to compete with the systems of pay and benefits offered at U.S. medical schools and private research institutions. Consequently, in order to be competitive, we need the flexibility to both establish starting salaries and adjust pay within broad pay bands.

Considering that the greatest circulation of NIH scientists is to and from medical schools, it is very important that these employees be provided optional access to a retirement system that is employee-owned and fully portable to and from those institutions. We believe that the portability features of the new Federal Employee Retirement law (P.L. 99-335) will be of great assistance in addressing this need.

Finally, some relief is needed for the recruitment of senior scientists who would relinquish credits for accrued sick and annual leave and for disability retirement and survivors benefits. This could be accomplished by offering an initial grant of sick and annual leave credit. Regardless of what aspects of the personnel system are revamped, however, it is essential that NIH retain excepted authorities contained in Title 42 so young scientists can be brought in without permanent commitment.

Question 2: I know you are familiar with the Navy's demonstration project at China Lake and San Diego. They have had remarkable success with the program and not only has the retention rate been improved but employee morale is up. Do you feel that a similar personnel system would help your agencies retain quality personnel?

Do you think that this new personnel system would provide enough leeway to make the pay increases useful?

Do you feel that lifting the pay cap for some, if not all, employees would assist you in recruiting and retaining quality personnel?

It has been said that the success of the alternative pay system at China Lake and San Diego has come not because of the increased pay and flexibility but because the employees feel that their work is worthwhile and that they are making a unique and patriotic contribution to the country through their work. Do you think that is true? Do you think that this would be a common phenomenon at many Government facilities?

If the success does come from a patriotic feeling or sense of the importance of the mission, isn't that an argument against contracting out? Wouldn't a worker employed directly by the Government have a better feeling for the value of his/her work?

It has also been said that the success of the demonstration project stems at least partially from the relative low level of employee group activity at those facilities. Do you believe that at facilities where there is a greater amount of employee group activity the alternative personnel system would be less successful?

Given the success of the China Lake/San Diego demonstration project, why haven't more agencies asked for similar projects?

Response: Clearly, the Navy's demonstration project has served the Navy well for entry-level recruitment and retention problems. NIH, on the other hand, does not have problems at the entry level, but at the upper-middle and senior levels, and predominantly in biological research positions. It is significant that the proposal includes no provisions for bonuses or special pay for physicians. Any reduction of amounts currently payable to physicians would seriously affect our ability to recruit and retain physicians. In addition, some features of the demonstration project have since become a part of the Civil Service system, and are therefore available to all agencies. Despite these qualifications, the Navy project does contain some elements that could be beneficial. For example, there is provision for a simplified system of position classification and flexible pay bands for initial pay and subsequent increases.

Response to Question 2 continued

The pay ceiling for the Navy project was at Executive Level V, and would offer no additional incentive for many senior scientists. The rest of the pay flexibility applies to occupations and grades where NIH does not have need and cannot justify the costs.

Lifting the pay cap should resolve one of the major problems in the recruitment and retention of senior scientists, but as mentioned above, there are other factors that must all work together if recruitment and retention are to be effective.

We are unable to judge the motivation of employees involved in the Navy demonstration project or in other Government facilities, be it based on patriotism or the "Hawthorne effect." What we do know is that many research scientists are attracted to and remain at NIH, not so much because of the pay and benefits, but despite them. The unique research environment that NIH and HHS provide often attracts some specialized researchers who stay on until outside offers become too tempting to refuse. Despite this cadre of self-motivated individuals, we continue to have difficulty attracting and keeping valuable senior scientists.

It is as difficult to determine whether patriotism argues against contracting out, as it is to determine whether patriotism is the motivator at work in the Navy Demonstration Project. Even if patriotism were a strong influence, its power to outweigh contracting out would vary in relation to such factors as occupation, grade level, organizational funding, identification with mission, and other such considerations.

We do not have enough specific information concerning the management or work force at the China Lake or San Diego facilities to understand the dynamics that may have been involved.

In an extended period of budget restraints, hiring freezes, and new Civil Service reforms, most agencies may lack the funding or the motivation to pursue an effort of the magnitude of the Navy Demonstration Project. In addition, the variety of organizational needs may not match favorably with the criteria for demonstration projects, including the size and makeup of the work force or geographical distribution.

Question 3: In a perfect world, I would assume you would prefer an organization by organization coverage or the authority to expand coverage to all occupations. If the subcommittee were forced to choose between covering scientists and technicians or doing nothing, what would be most beneficial for your agency?

Concerns have been voiced that if agencies implemented an alternative personnel system organization by organization, it might create problems in intra-agency mobility. Employees under one personnel system might be reluctant to change systems as they moved from one organization to another. Do you foresee any such problems?

Response: It is not the case that we prefer coverage for all occupations. However, we do favor organization-by-organization coverage, or coverage that meets our specific needs. Since our primary problems of recruitment and retention involve upper-level scientists, that would be our first priority.

Problems of inter-agency and intra-agency mobility could be addressed by applying a common framework for use by all organizations. We do not foresee this as a significant problem.

Question 4: Senator Levin requested a list of hard to fill occupations. If you had to prioritize which occupations were included under an alternative personnel system, which would you want covered first?

Response: Essentially there are three categories of occupations that represent our most difficult recruitment and retention problems. The first involves scientific leadership positions. It includes Institute Directors, Scientific Directors, and other Program Director positions for which our source of recruitment is primarily medical schools and universities. The second category of occupations would be doctoral-level senior scientific positions that form the nucleus of the NIH intramural research program. This would include nonclinical, clinical and epidemiological scientists (e.g., biologists, chemists, microbiologists) who conduct independent research programs. The final and increasingly difficult recruitment and retention problem is those vital support positions necessary for conducting clinical research. This category includes nurses, pharmacists, critical care therapists, diagnostic radiologic technicians, nuclear medicine technologists, and medical machine technicians.

Question 5: Are there other reforms that are not contained in these bills that you believe would help your agency fill its personnel needs?

Response: Our answer to question 1 applies equally here.

Question 6: Would your agency benefit from S. 2082? Are there problems in your acquisition service that warrant a legislative response?

Response: S. 2082 would have no effect on NIH.

Question 7: As I'm sure you are aware, several bills have been introduced that would have a marked impact on Federal employees. I am particularly interested in S. 2197, the Option Early Retirement Act of 1986. I am afraid that such a bill will accelerate the "brain drain" that has been plaguing the Government. What do you believe the effect of this bill will be on your agencies and their struggles to retain quality personnel?

Response : I don't believe that optional early retirement would adversely affect NIH. Scientists normally continue working as long as they are productive and in good health. I personally believe an optional early retirement opportunity could have a salutory effect on the Federal service as a whole. Because of hiring constraints and personnel ceiling reductions in recent years, the number of new dedicated people coming into the Federal service has been severely curtailed. If this situation is not corrected, the creativity and vitality of the Federal work force will be diminished. Therefore, I personally believe that if optional early retirement were coupled with the opportunity to selectively hire, according to Administration regulation and policy, necessary personnel we could attract some of the best and brightest citizens interested in public service and it could have a far reaching and invigorating effect.

STATEMENT BY

J. M. SCHULMAN

DIRECTOR, OFFICE OF PERSONNEL

DEPARTMENT OF ENERGY

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE AND GENERAL SERVICES

SENATE GOVERNMENTAL AFFAIRS COMMITTEE

UNITED STATES SENATE

APRIL 15, 1986

I am pleased to be here today to discuss circumstances regarding the hiring and retention of scientists and engineers necessary to perform the functions of the Department of Energy. It is heartening that attention is being focused on the need for systems changes to enhance our ability to hire and retain the high quality personnel needed to perform our energy and defense-related missions.

The Department of Energy, a relatively new organization, is experiencing considerable difficulty recruiting and retaining engineers and scientists. Prior to the inception of the Department of Energy, many of our functions in the nuclear and defense program areas were performed in the Energy Research and Development Administration and its predecessor the Atomic Energy Commission.

It may be significant to note that in neither predecessor agency is there a record of significant recruitment or retention problems. However, since these agencies were brought into the competitive service in 1977, various program offices within the Department have consistently reported that problems exist in recruiting and retaining engineering and scientific employees.

For example, when the Department conducted a staffing survey last year, we found that many of our offices were experiencing difficulty attracting engineers because higher salaries were being offered by private industry. Departmentwide, there continues to be a shortage of well qualified nuclear engineers, and our power marketing offices located throughout the Western and Northwestern States expressed concerns over their inability to attract experienced electrical and electronics engineers. The technical skills essential to the operation and maintenance of the transmission grids at the Southwestern, Western, and Bonneville Power Administrations are difficult to obtain since we cannot readily compete in the market place because of inadequate Federal salaries.

It is apparent that the major problem in recruiting a high quality workforce is the extensive pay gap for certain scarce occupations between the Federal Government and private industry. Based on a study conducted for the Department in 1984, engineers in the private sector with Bachelor of Science Degrees and no professional work experience were shown to be earning $28,825, as compared to $18,070 in the Federal sector, a difference of 60 percent. While we do not have 1986 data, it is reasonable to assume that gap has widened further because of the limited 3.5 percent comparability pay raise for Federal employees in January 1985, and no comparability increase for 1986. Thus, the Department is in a poorer position to compete for entry-level engineers today than it was in 1984.

Pay disparities do not appear to be limited to engineering positions. Our office of Energy Research has had difficulty attracting experienced research scientists for a number of their senior positions in basic research administration. Also, some of our field offices in less populous locations have continual difficulty filling Health Physicist positions at all levels.

Competition is equally keen for nuclear and other engineers and scientists with extensive experience in the private sector who have vesting in certain kinds of benefits that are more attractive than those available in the

Federal sector. While the pay gap itself narrows somewhat as we move beyond entry level positions, and while the Federal retirement system itself has aspects that are more generous than is typical in the private sector, the Federal sector is at a disadvantage in such fringe benefit areas as family education allowances, travel discounts, product purchase discounts, investment savings plans, and similar indirect pay adjuncts.

The Department increasingly has had to utilize its delegated authority to make appointments above the minimum rate of pay for mid-level staff in order to compete with private industry for superior candidates in engineering and scientific occupations. Seventy percent of the requests for advanced in-hiring rates exceed the representative rate (step 4 of the grade) in the Federal Government for the occupation. Further, a number of candidates for whom employment above the minimum rate was approved later declined our offer because they decided that the remaining salary disparity plus the other benefits available in the private sector were too substantial, or that the potential for future pay increases within their grade had been absorbed by the advanced hiring rate to the extent that future monetary advances were too limited. In addition, a large percentage (approximately 21 percent) of our resignations over the last 4 years have been in the engineering and scientific occupational groups. We believe that many of our senior professionals and first-level supervisors in these occupations were lost as a result of direct competition from private sector employers who offered a total compensation package that was perceived to be far superior to Federal pay and benefits.

We are also concerned about the retention of our most experienced scientists and engineers. Approximately 246 scientific and engineering employees in Headquarters and 491 scientific and engineering employees in field organizations are eligible for retirement under the provisions of one early retirement proposal recently introduced in the Congress. This represents a significant portion of the total number of employees in these occupations. Again, the significance goes beyond the numbers involved; these employees are also our most experienced. Considering current recruitment problems, the consequences of a potential loss of this magnitude could be grave in terms of our ability to accomplish our Department's mission. Since that mission is diverse and complex, and has long-term national and international significance, the technical discipline mix and quality of the scientific and engineering staff required to carry out our energy and defense-related programs is critical. Accordingly, we are pleased that these issues are under review.

I would be happy to respond to any questions that the Subcommittee may have.

POST-HEARING QUESTIONS AND ANSWERS

Relating to the

APRIL 15, 1986, HEARING

Before the

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND
GENERAL SERVICES
of the
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

WITNESS: J.M. SCHULMAN
DIRECTOR, OFFICE OF PERSONNEL

Questions from Senator Gore

Question 1: In your statement, you identify higher pay rates as one of the key issues in recruiting and retaining personnel, particularly scientists and technicians. Do you feel that higher pay is the definitive answer or are there other aspects of the personnel system, such as job classifications, that need to be revamped?

Answer: Competitive rates of pay are obviously a key factor in recruiting and retaining personnel, but benefits, working conditions, career opportunities, job satisfaction, and other factors also have an impact. The perception of erosion in any of these factors affects the Government's ability to recruit and retain employees. While the position classification system does need improvement, it is not the classification system itself that hampers recruitment or retention in specific occupations. It is the limitations on the General Schedule pay system that are at fault. The system as it now exists is not sufficiently responsive to variations in private industry pay rates.

Question 2a: I know you are familiar with the Navy's demonstration project at China Lake and San Diego. They have had remarkable success with the program and not only has the retention rate been improved but employee morale is up. Do you feel that a similar personnel system would help your agencies retain quality personnel?

Answer: It would probably have a beneficial effect on retention and morale, especially in comparison with agencies still under the old system. The decision to extend it was based on an evaluation of its overall merits relative to the current system, not just on the expectation of improved morale and retention.

Question 2b: Do you think that this new personnel system would provide enough leeway to make the pay increase useful?

Answer: It provides a considerable amount of leeway within the General Schedule pay structure. By grouping General Schedule grades into pay bands, the demonstration project appears to provide much wider rate ranges within which performance distinctions and labor market conditions can be recognized.

Question 2c: Do you feel that lifting the pay cap for some, if not all, employees would assist you in recruiting and retaining quality personnel?

Answer: The ability to pay higher special salary rates for critical occupations would certainly help in recruiting and retaining employees. We believe that the existing special rate authority should be increased. For example, special salary rates for entry level engineers are already as high as the law allows, yet they lag far behind private industry rates.

Question 2d: It has been said that the success of the alternative pay system at China Lake and San Diego has come not because of the increased pay and flexibility but because the employees feel that their work is worthwhile and that they are making a unique and patriotic contribution to the country through their work. Do you think that is true? Do you think that this would be a common phenomenon at many government facilities?

Answer: We have not seen any data to support the idea that the success of the alternative pay system at China Lake and San Diego has come about because the employees feel that their work is worthwhile and that they are making a unique and patriotic contribution to the country through their work. We believe a number of Federal employees feel that way about their work and remain in the Federal service because of it. But as pay and benefits disparities increase, economic necessities begin to override these other feelings and reflect themselves in recruitment and retention problems.

Question 2e: If the success does come from a patriotic feeling or sense of the importance of the mission, isn't that an argument against contracting out? Wouldn't a worker employed directly by the government have a better feeling for the value of his/her work?

Answer: No, we do not feel this to be an argument against contracting out. Employees' feelings about the value of their work are effected more by the nature and end result of what they do.

Question 2f: It has also been said that the success of the demonstration project stems at least partially from the relative low level of employee group activity at those facilities. Do you believe that at facilities where there is a greater amount of employee group activity the alternative personnel system would be less successful?

Answer: Although we have had no experience with demonstration projects in any setting, our experience in settings where employees are represented by labor organizations and where we must bargain wages with those organizations has led us to believe that the establishment of an alternative personnel system could be costly and time consuming, unless an appropriate role for the unions is carefully considered and spelled out in advance. Absent legislation to the contrary, labor organizations may be able to bargain, at a minimum, implementation procedures and appropriate arrangements for employees adversely affected by the establishment of such a system. If a bargaining dispute arises, either as a bargaining impasse or a question regarding the legality of bargaining on a specific topic, the use of available dispute resolution procedures could be very slow and somewhat frustrating. Finally, since

Answer to 2f Cont'

pay raises in the new system would be heavily dependent on appraisals, we must expect, initially, at least, an increased number of appraisal grievances which could go to arbitration. On the positive side, the well-established, efficient communications that exist between labor and management in many Federal agencies could be useful tools for determining employee's wants and needs and for "selling" a new system.

Question 2g: Given the success of the China Lake/San Diego demonstration project, why haven't more agencies asked for similar projects?

Answer: Demonstration projects such as China Lake/San Diego must be approved by the Office of Personnel Management (OPM). The legal requirements limit the total number of active projects permitted at the same time to 10. Additionally, among the factors taken into consideration by OPM in approving a demonstration project is relevance to, and duplicativeness of, other approved projects or proposals under consideration. Considering the effort and cost involved, agencies may have determined that it is a good idea to wait for the results of current projects in order to capitalize on the successes and to avoid the failures.

Question 3a: In a perfect world, I would assume you would prefer an organization by organization coverage or the authority to expand coverage to all occupations. If the subcommittee were forced to choose between covering scientists and technicians or doing nothing, what would be most beneficial for your agency?

Answer: We would favor covering the broadest range of occupations possible. Coverage of at least scientists and engineers would be better than nothing.

Question 3b: Concerns have been voiced that if agencies implemented an alternative personnel system organization by organization, it might create problems in intra-agency mobility. Employees under the personnel system might be reluctant to change systems as they moved from one organization to another. Do you foresee any such problems?

Answer: If the new system is perceived by employees to be more beneficial, they will naturally be attracted to agencies which have it, and agencies with the old system will be at a competitive disadvantage. Consequently, the new system should be adopted Governmentwide. We believe that a great deal of careful planning and technical assistance by the Office of Personnel Management will be required.

Question 4: Senator Levin requested a list of hard to fill occupations. If you had to prioritize which occupations were included under an alternative personnel system, which would you want covered first?

Answer: Since scientific and technical occupations are chronically the hardest to fill, they would be our first priority if we had to choose.

Question 5: Are there other reforms that are not contained in these bills that you believe would help your agency fill its personnel needs?

Answer: There are several areas where Government personnel systems could be improved. In general, most of the systems are far too complicated and inflexible to be effective and economical. However, these bills address the areas that bear most directly on recruitment and retention.

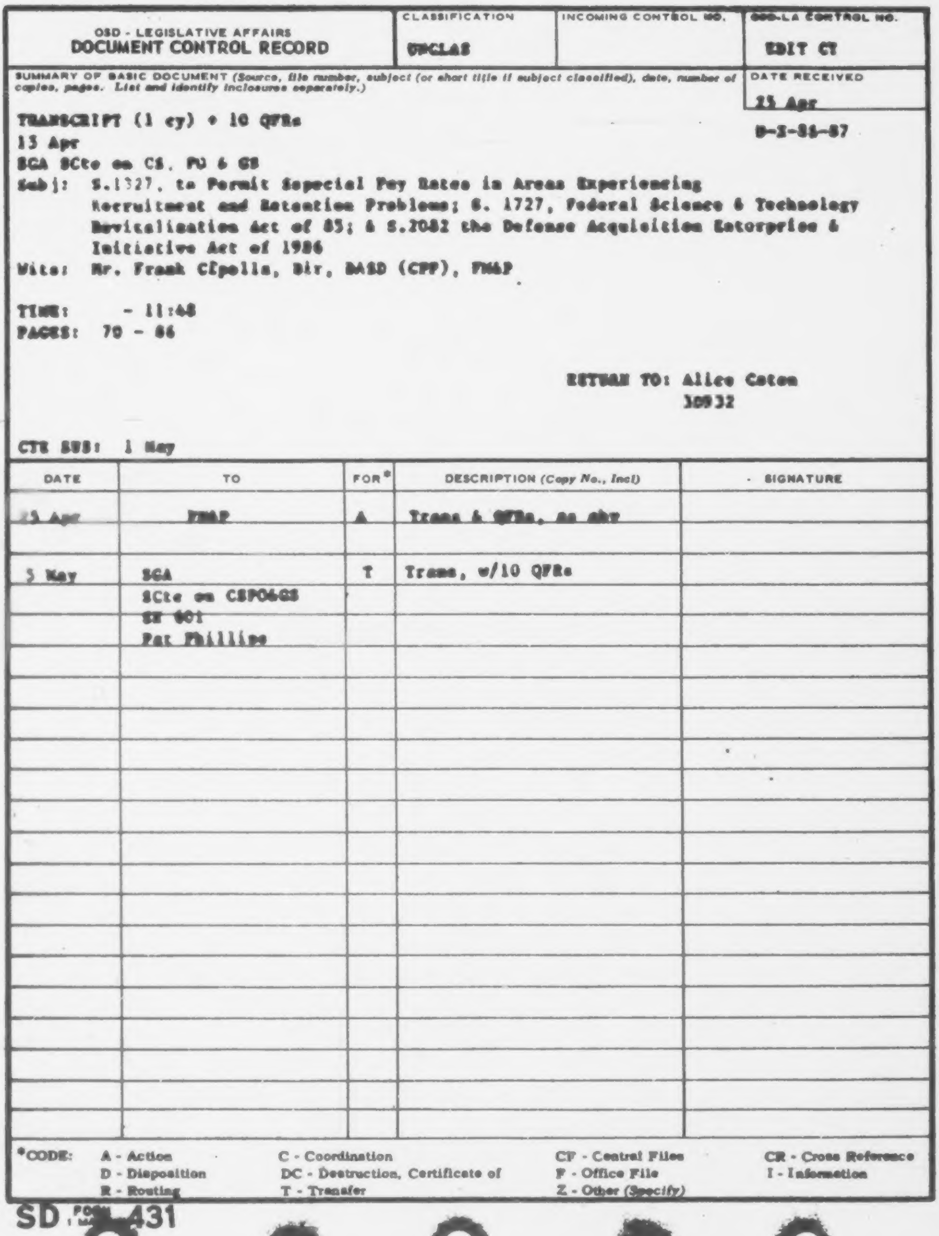
Question 6: Would your agency benefit from S. 2082? Are there problems in your acquisition service that warrant a legislative response?

Answer: If the concepts contained in S. 2802 were implemented and limited to Defense employees only, there could be a negative repercussion relative to our ability to hire and retain procurement personnel. However, in general we have not been apprised of major difficulties attracting, hiring or retaining procurement personnel of the type and quality needed to accomplish the Department's mission.

Question 7: As I'm sure you are aware, several bills have been introduced that would have a marked impact on Federal employees. I am particularly interested in S. 2197, the Option Early Retirement Act of 1986. I am afraid that such a bill will accelerate the "brain drain" that has been plaguing the government. What do you believe the effect of this bill will be on your agencies and their struggles to retain quality personnel?

Answer: The Department of Energy will have 3,083 employees (21 percent of the workforce) eligible to retire under the provisions of S. 2197. Also, nearly 43 percent of the Department's senior executives and nearly 27 percent of its engineers and scientists will be eligible to retire under this legislation. We estimate that a large number of these employees will choose to retire. We believe that most of the employees who will retire will be in senior executive, engineering, and scientific positions. It will be extremely difficult to recruit large numbers of replacements to fill these jobs.

FRANK C. CIPOLLA'S RESPONSES TO WRITTEN QUESTIONS



OSD - LEGISLATIVE AFFAIRS **DOCUMENT CONTROL RECORD**	CLASSIFICATION UNCLAS	INCOMING CONTROL NO.	OSD-LA CONTROL NO. EDIT CT

SUMMARY OF BASIC DOCUMENT *(Source, file number, subject (or short title if subject classified), date, number of copies, pages. List and identify inclosures separately.)*

DATE RECEIVED 25 Apr

D-S-86-87

TRANSCRIPT (1 cy) + 10 QFRs
13 Apr
SGA SCte on CS, PO & GS
Subj: S.1327, to Permit Special Pay Rates in Areas Experiencing Recruitment and Retention Problems; S. 1727, Federal Science & Technology Revitalization Act of 85; & S.2082 the Defense Acquisition Enterprise & Initiative Act of 1986
Wits: Mr. Frank Cipolla, Dir, OASD (CPP), FM&P

TIME: - 11:48
PAGES: 70 - 86

RETURN TO: Alice Caton
3D932

CTR SUS: 1 May

DATE	TO	FOR*	DESCRIPTION *(Copy No., Incl)*	SIGNATURE
25 Apr	FM&P	A	Trans & QFRs, as abv	
5 May	SGA	T	Trans, w/10 QFRs	
	SCte on CSPO&GS			
	SH 601			
	Pat Phillips			

*CODE:
A - Action
D - Disposition
R - Routing
C - Coordination
DC - Destruction, Certificate of
T - Transfer
CF - Central Files
F - Office File
Z - Other (Specify)
CR - Cross Reference
I - Information

SD FORM 431

INSERT FOR THE RECORD Sen Gov Aff

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER Govt Aff.
☐	SENATE		☐	SENATE		☒	SENATE	
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.	LINE NO.		INSERT NO.				Q-1

Alternative Personnel Management System

Question: In your statement, you identify higher pay rates as one of the key issues in recruiting and retaining personnel, particularly scientists and technicians. Do you feel that higher pay is the definitive answer or are there other aspects of the personnel system, such as job classifications, that need to be revamped?

Answer: The key to recruitment and retention success is not simply higher pay, but is a compensation system that is sufficiently flexible to enable agencies to address labor market fluctuations and to provide meaningful incentives to quality performers. Such a system requires an integrated approach to job classification, pay, and performance appraisal.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER Govt Aff
☐	SENATE		☐	SENATE		☒	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
4/15/86				B-2

Alternative Personnel Management System

Question: I know you are familiar with the Navy's demonstration project at China Lake and San Diego. They have had remarkable success with the program and not only has the retention rate been improved but employee morale is up. Do you feel that a similar personnel system would help your agencies retain quality personnel?

Do you think that this new personnel system would provide enough leeway to make the pay increases useful?

Do you feel that lifting the pay cap for some, if not all, employees would assist you in recruiting and retaining quality personnel?

It has been said that the success of the alternative pay system at China Lake and San Diego has come not because of the increased pay and flexibility but because the employees feel that their work is worthwhile and that they are making a unique and patriotic contribution to the country through their work. Do you think that is true? Do you think that this would be a common phenomenon at many government facilities?

If the success does come from a patriotic feeling or sense of the importance of the mission, isn't that an argument against contracting out? Wouldn't a worker employed directly by the government have a better feeling for the value of his/her work?

It has also been said that the success of the demonstration project stems at least partially from the relative low level of employee group activity at those facilities. Do you believe that at facilities where there is a greater amount of employee group activity the alternative personnel system would be less successful?

Given the success of the China Lake/San Diego demonstration project, why haven't more agencies asked for similar projects?

Answer: A system that incorporates the concepts of the Navy demonstration project would definitely help us to retain quality employees. Broad pay banding with individual pay adjustments based on performance provides an ability to adequately recognize quality employees and to provide worthwhile distinctions between quality and marginal performance. With such distinctions, pay increases do become useful as a retention factor. Lifting the pay cap for critical, key-level positions would also provide recruitment and retention assistance. Such authority should be used, however, only where absolutely essential.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER
☐	SENATE		☐	SENATE		☒	SENATE	Govt. Aff.
HEARING DATE 4/15/86		TRANSCRIPT PAGE NO.		LINE NO.		INSERT NO.		Q-2 (Contd)

Alternative Personnel Management System

The success of the demonstration project is the result of several factors. While work environment is certainly a factor, the primary reasons for success appear to be simplification of the personnel process, compensation flexibility in the recruitment process, meaningful rewards for quality performance, extensive involvement by line managers, and improved communication between supervisors and employees. The success of the demonstration project has been measured in terms of previous experience at the two laboratories and a comparison with similar laboratories. Thus, there would be minimal differences in work environment.

With regard to additional demonstration projects, the Department of Defense has five more proposals under consideration by the Office of Personnel Management. We have received concept approval for two of those proposals and are now in the process of developing implementation plans. The value of demonstration projects is becoming more widely recognized and should lead to proposals by more agencies.

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☐ HOUSE ☒ SENATE	OTHER Govt. Aff
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.		Q-3

Alternative Personnel Management System

Question: The current DoD draft proposal for alternative personnel systems would permit coverage occupation by occupation and includes the authority to expand that coverage as necessary. In your testimony before the subcommittee, you seemed to favor an organization by organization coverage. Do you believe the DoD approach is wrong and should be changed to allow organization by organization coverage?

In a perfect world, I would assume you would prefer an organization by organization coverage or the authority to expand coverage to all occupations. If the subcommittee were forced to choose between covering scientists and technicians or doing nothing, what would be most beneficial for your agency?

Concerns have been voiced that if agencies implemented an alternative personnel system organization, it might create problems in intra-agency mobility. Employees under one personnel system might be reluctant to change systems as they moved from one organization to another. Do you foresee any such problems?

Answer: The preferred Department of Defense approach would be to implement an alternative personnel system so as to provide early coverage for such critical occupations as engineering and acquisition. Selection of organizations to begin implementation would be on the basis of the type of work performed. Once an organization was selected, however, the alternative system would be applied to all or most of the employees in that organization.

We would prefer to have broad coverage authority to be able to include any and all occupations and organizations. Given a choice, however, between limited coverage or nothing, we would rather have the limited coverage.

We do not foresee any problems associated with implementation on an organization-by-organization basis. Movements from one system to another could be accommodated through minor supplementary guidance to the regular pay administration instructions that are contained in the Federal Personnel Manual. Such guidance could easily be included in the agency's implementation plan.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER Govt. Aff.
☐	SENATE		☐	SENATE		☒	SENATE	
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.		LINE NO.		INSERT NO.			6-4

Alternative Personnel Management System

Question: Senator Levin requested a list of hard to fill occupations. If you had to prioritize which occupations were included under an alternative personnel system, which would you want covered first?

Answer: If we had to choose among occupations for initial inclusion in an alternative personnel system, our highest priorities would be scientists and engineers and acquisition personnel.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER Govt. Aff.
☐	SENATE		☐	SENATE		☒	SENATE	
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.		LINE NO.		INSERT NO.			Q-5

Alternative Personnel Management System

Question: Are there other reforms that are not contained in these bills that you believe would help your agency fill its personnel needs?

Answer: If a broad legislative package is developed which would allow the establishment of alternative personnel systems tailored to meet agencies' specific requirements, we do not foresee a need for any other reforms in the areas of compensation and performance management.

INSERT FOR THE RECORD

	HOUSE	APPROPRIATIONS COMMITTEE		HOUSE	ARMED SERVICES COMMITTEE		HOUSE	OTHER
	SENATE			SENATE		X	SENATE	Govt. Aff.
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.		LINE NO.		INSERT NO.			Q-6

Alternative Personnel Management System

Question: It has been suggested that the ideas contained in S. 1727 and S. 2082 are compatible and could be merged to ensure that more complete reforms are made, rather than using a patchwork approach. Do you believe that such a merger would benefit your agency?

Answer: A broad approach to alternative personnel system legislation would be more beneficial than a fragmented approach. Rather than attempting to merge S.1727 and S.2082, it would be preferable to develop a new, broad proposal based on the concepts of the Navy demonstration project.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER
☐	SENATE		☐	SENATE		☒	SENATE	Govt. Aff.

HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	Q-7

Alternative Personnel Management System

Question: Do you feel the proposals contained in S. 2082 would improve the defense acquisition process or would it create another division in an already fragmented personnel system?

Answer: To the extent that S.2082 would provide a more flexible personnel system, there should be a beneficial effect for the covered employees. However, any such flexibility should be extended to all occupations and organizations. A fragmented approach to personnel system reform should be avoided if at all possible.

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☐ HOUSE ☒ SENATE	OTHER Govt Aff
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.		6-8

Alternative Personnel Management System

Question: The idea of creating an "enterprise program" and restoring accountability in program management is very attractive. Do you believe that it is necessary to legislate increased accountability? If not, why has the perception of unaccountability in the program management process continued?

Answer: It is not necessary or desirable to legislate increased accountability. The Department of Defense is already developing measures to implement the recommendations of the President's Blue Ribbon Commission on Defense Management. Implementation of these recommendations should eliminate any remaining perceptions of unaccountability.

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☐ HOUSE ☒ SENATE	OTHER Govt. Aff.
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.		Q-9

Alternative Personnel Management System

Question: You have stated that your recruitment and retention problems also stem from isolated or undesirable duty stations. Are there any further changes that could be made to help counter those problems?

Answer: With broad alternative personnel system authority, we would be able to build into our plans the compensation flexibility necessary to overcome these problems. In the absence of alternative personnel system authority, however, a change is needed to the existing special salary program. The requirement that recruitment and retention problems must be related to higher private sector salaries would need to be eliminated. Special salaries should be available to assist in overcoming recruitment and retention problems regardless of what factors cause those problems.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER Govt. Aff.
☐	SENATE		☐	SENATE		X	SENATE	
HEARING DATE 4/15/86	TRANSCRIPT PAGE NO.		LINE NO.		INSERT NO.			Q-10

Alternative Personnel Management System

Question: As I'm sure you are aware, several bills have been introduced that would have a marked impact on federal employees. I am particularly interested in S. 2197, the Optional Early Retirement Act of 1986. I am afraid that such a bill will accelerate the "brain drain" that has been plaguing the government. What do you believe the effect of this bill will be on your agencies and their struggles to retain quality personnel?

Answer: With respect to S. 2197, the Optional Early Retirement Act of 1986, the Administration is still weighing the pros and cons of the bill. While we are certainly concerned about the potential "brain drain" that could result from a government-wide early out authority, we can also see the benefits of the bill in assisting agencies in meeting Gramm-Rudman cutbacks with minimal disruption and in the most humane way possible.

PREPARED STATEMENT OF ROSSLYN S. KLEEMAN

Mr. Chairman and Members of the Committee:

I am pleased to be here today to present our views on S. 1327, a bill to amend the government's special pay rate program; S. 1727, the Federal Science and Technology Revitalization Act of 1985; and S. 2082, the Defense Acquisition Enterprise and Initiative Act of 1986. My comments will be directed at selected aspects of these bills with emphasis on pay and personnel systems.

Adequate compensation levels are critical to the government's ability to attract and retain competent employees. Nonetheless, fiscal year 1986 marked the eighth straight year that the President and the Congress adopted alternative pay rates for white-collar employees instead of the comparability adjustments indicated by the annual survey of private sector pay rates. As a result, according to the survey General Schedule salaries have dropped significantly behind those in the private sector for similar work. By March 1985, the difference averaged 19.15 percent. No pay increase was granted for fiscal year 1986, and the gap between federal and private sector has widened further.

In the past, we have suggested that the comparability principle be expanded to include benefits as well as salary. As we reported in September 1985, one comprehensive study showed federal white-collar employees' overall compensation lagged behind the private sector by 7.2 percent in 1984. The lag is now estimated to be 15.7 percent. Although federal retirement and annual leave benefits were found to be more valuable than in the private sector, this was more than offset by the lag in other federal benefits, such as health and disability benefits, and salary.

The federal white-collar special rate program has helped agencies be more competitive in certain occupations and labor markets. Under the program, pay rates above the General Schedule are authorized when the government has a significant problem recruiting and retaining well-qualified individuals and the staffing problem is caused by substantially higher private sector pay rates. Special pay rates can be authorized on a locality basis or on a nationwide basis to meet staffing needs. The use of special rates is increasing. We reported in March 1984 that the number of special rate positions rose from about 8,000 in fiscal year 1977 to almost 34,000. There are 37,000 now. The primary reasons for this increase are (1) General Schedule pay adjustments at less than the amount needed to achieve comparability with private sector salaries in certain occupations, (2) across-the-board instead of grade-by-grade pay adjustments, and (3) geographic and occupational variations in private sector pay which are not recognized under the General Schedule.

Notwithstanding its growth, the special rate program may not have been used to the extent it could or should have been. For example, we reported in 1985 that the Federal Aviation Administration (FAA) had severe police staffing problems at National and Dulles airports because its police officers were paid much less than other federal and nonfederal police officers. Although OPM had granted special rates to some of the police officers over the years, the amounts were too small to overcome the staffing problems. Earlier this month, OPM granted the FAA police officers a 22 percent pay increase. S. 1327 addresses this problem by permitting agency heads instead of OPM to authorize special rates to meet their staffing needs under regulations prescribed by OPM. OPM would have 45 days to disapprove the proposed rates or they would automatically become effective.

Other problems are inherent in the special rate program. First, the current law authorizing special rates does not allow the government to pay starting salaries above the 10th step of each grade of the General Schedule. As a result, agencies are at a recruiting disadvantage when entry level salaries are at the maximum rate but are still substantially below starting salaries in the private sector. Second, the current law does not allow OPM and agencies to use special rates to deal with factors other than pay disparities. For example, special rates cannot be authorized to correct staffing problems caused by undesirable working conditions and locations, or by differences in federal and private sector benefits.

We support the intent and purpose of S. 1327. The bill would permit the consideration of factors other than private sector pay disparity in the special rate determination process. These could include state and local government pay rates, overtime pay, health and retirement benefits, working conditions, and geographic location. The bill requires OPM to establish in regulation the criteria which would qualify agencies to establish special rates.

The intent of S. 1727 and S. 2082 is to enhance the management of scientific, technical, and acquisition personnel. Our major concern with these proposals is the selective treatment of employees and proliferation of alternative personnel management systems that could result if enacted.

The bills are in large part again result of the disparity between federal and private sector pay. In the face of a 20 percent pay disparity the legislation is intended to remedy pay and personnel problems in selected skill areas--scientists, engineers, and acquisition experts, but for the latter only those in the Department of Defense. The case for special treatment of these particular groups has been made with anecdotal information. Similar problems have been documented for other occupations as well, as would be expected with a pay system that significantly underpays across the board.

Some proponents of the legislation maintain that the proposed systems can be implemented at no additional cost. We doubt that will be the case. For example, personnel costs at the Navy's demonstration laboratories at China Lake and San Diego, California reportedly are almost 6 percent higher than at counterpart laboratories not in the test. In part this is due to higher pay rates offered to new employees in order to be competitive with private industry. Entry level salaries at one of the laboratories increased by over 45 percent the year that the test started. The higher salaries may be the main reason for the popularity of the demonstration projects. Furthermore, I think it is unrealistic to expect that the government, at no increase in cost, will be able to recruit and retain "the very best and brightest" people when it is now paying employees only 80 percent of the going rate.

In addition, the creation of separate systems for certain occupations could create enormous administrative problems as varying standards and processes are applied for hiring, paying, training, and retaining these personnel. If alternative personnel systems are needed, we believe it would be preferable to establish them, not based on skills, but on an agency-by-agency basis, to eventually include all agencies, with central control exercised by the Office of Personnel Management. In this regard, we understand that the Administration is considering a proposal that would authorize an alternative personnel system for all white-collar occupations in each agency.

Without central control by OPM, we foresee a potential for inequitable pay and personnel practices. For example, S. 1727 authorizes the heads of agencies to set and annually adjust the compensation of the employees under alternative personnel management systems to be competitive with the private sector. This could create differences in the rates that individual federal agencies will pay their scientists and engineers for doing essentially the same work in the same locality. As a result, the government will find it competing with itself as well as with the private sector.

Differing treatment would be introduced with performance awards as well. For example, under S. 2082, performance awards would range from 5 to 20 percent of pay. Under the existing Performance Management and Recognition System, the maximum award in usual circumstances is 10 percent.

This concludes my prepared testimony, Mr. Chairman. We would be happy to answer any questions you may have.

MS. KLEEMAN'S RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR GORE

1. Question: In your testimony, you seem to approve of the provisions in S. 1327 which would allow agency heads to authorize special pay rates, and thereby reduce OPM authority. However, later in your testimony, you seem to criticize S. 1727 for giving agency heads too much control, when in fact OPM is given the authority to prescribe such regulations as would be necessary to ensure that the alternative personnel system complies with the requirements of the law. Is there some explanation for this seeming conflict?

Answer: We believe Federal pay setting should be subject to a central control, logically by OPM, sufficient to ensure that agencies are basically paying similar rates for the same work. In our view, S. 1327 includes such control whereas S. 1727 does not. Specifically, under S. 1327, while agencies would have additional new authority to establish special rates, they would do so according to OPM criteria, and OPM could disallow those rates by making a written determination that the criteria were not met.

Under S. 1727, while OPM would prescribe the regulations for the alternative personnel system, agencies would set and annually adjust the compensation of employees covered by the system. While the bill provides that all agencies should make their rates competitive with the non-federal sector, different agencies, working independently, are likely to establish different pay rates for the same job. If their methodology varied substantially, they could establish significantly different rates. Excessive central control should of course be avoided, but we believe it is vital that agencies not compete with each other over pay.

2. Question: You state that there has been a 6% increase in personnel costs. That increase, however, has occurred over a period of 5 years and includes the costs of setting up and administering the new personnel system. The fact that China Lake was not designed to be cost-contained must be noted as well. S. 1727 gives OPM the ability to limit the cost of any new personnel system and, given the current budget climate, OPM may not permit any manager to increase budget outlays. This could, in essence, create a budget based personnel system very similar to the one Senator Stevens mentioned in the April 15th hearing.

Do you believe that such a system would not improve productivity?

2. Question: (Cont) Given the restraints written into S. 1727, how do you support your assertion that an alternative personnel system could not be implemented at no cost?

Answer: An alternative personnel system could probably be implemented at no additional cost if that is the primary objective. In our view it is not reasonable to expect the alternative personnel system to achieve its goals without creating considerable pressure to increase costs. The purposes of the bill are to improve the quality of federal scientific and technical employees; to increase the quality of government laboratories, and allow them to become and remain centers of scientific excellence. To accomplish this through improved productivity alone would appear to be very difficult--particularly so if, in addition, salaries are to be made competitive with those in the non-federal sector when, on the average, federal pay is now about 20 percent behind. If pay rates were increased to private sector levels, substantial reductions in the workforce would be required to implement the system without increasing costs. Moreover, while officials contend that the China Lake project has many advantages over the previous system, there is no evidence that the laboratories are more productive than before.

Although the bill's provision allowing OPM to limit the cost of pay and benefits could ensure implementation of the alternative personnel system at no extra cost, this restriction could also have a significant impact on the effectiveness of the system. There would also be additional costs to implement and maintain a separate pay system.

3. Question: You state that you would prefer an alternative personnel system to be implemented agency by agency. You then say that under a skill-by-skill implementation, agencies would be competing within the government to hire the best personnel. Although I am not convinced that this would be a problem under S. 1727, wouldn't the same problem occur if NASA were under the alternate personnel system and could pay its best people more and DOD were not? NASA would be in the enviable position of being able to entice the best people to work for them. This situation would be avoided in my estimation if all scientists and technicians in the government were included in an alternative personnel system. What is your opinion of this scenario?

Answer: Our preference for an agency-by-agency implementation was primarily based on avoiding the undesirable situation of having multiple personnel systems in individual agencies during the period when alternative personnel systems are implemented.

Our concern over agencies competing with each other over pay was mentioned in the context of the need for having central control over paysetting by OPM to ensure consistency among agencies once the alternative personnel system is in place. You are correct that during the period of transition an agency under an alternative system could pay scientists and engineers differently than an agency under the current system. But once all agencies are under an alternative system, we would expect uniformity in pay rates among agencies for the same occupation.

4. Question: In your testimony you seem to put most, if not all, blame on low pay as the reason the government is unable to attract and retain quality personnel. Don't you think that part of the problem stems from an unwieldy personnel system that all too often rewards people for longevity, rather than performance? Quality personnel under the current system do not receive much motivation when they see other employees simply marking time and still receiving pay increases.

Is the fact that S. 1727 is a performance based system of concern to you?

Answer: We think that pay is very important in attracting bright people to work for the government. We also agree that motivation can be affected when quality personnel see other employees mark time and still receive pay increases. Therefore, we support the concept of pay for performance as a means for appropriately compensating employees for how well they do their jobs.

Various provisions in S. 1727 would authorize pay increases and non-monetary as well as monetary rewards based on employee performance. The establishment of these provisions is generally in keeping with the objectives of the present performance management and recognition system (PMRS) which requires the use of performance appraisals as the basis for determining pay increases and awards for the covered employees, i.e., federal managers and supervisors in grades 13 through 15. However, PMRS is different from S. 1727 in that PMRS provides for employees to receive certain pay increases and awards for specific levels of performance.

PREPARED STATEMENT OF G. JERRY SHAW

Mr. Chairman and members of the subcommittee, I appreciate very much this opportunity to present the comments of the Senior Executives Association (SEA) on S. 1327, S. 1727 and S. 2082 specifically and, more generally, on the compensation of civilian employees of the U.S. government. I am accompanied by Dr. Richard Strombotne, a member of the SEA Board of Directors and Chair of our Compensation Task Force.

Mr. Chairman, before presenting our testimony, I want to thank you on behalf of Federal employees and all other public employees for your efforts in opposing the proposal to change the 3-year recovery rule in the Tax Reform Act.
Our thanks are also given for your work these past several years to provide an equitable retirement system for those Federal civilian employees hired after 1983.

Before proceeding to the question of the proposed legislation on pay issues with regard tc scientific and personnel and others, I would like to review briefly the Association's observations about Federal pay in general. The problem now facing the U.S. Government is that it just does not pay its employees enough money to be competitive. It is true at all levels, from GS-5's to Senior Executives to Executive Level II. It is true for Congressmen, Federal judges, and high officials in the Executive Branch.

In its report to the President last Fall titled "The Quiet Crisis," the 1984-85 Commission on Executive, Legislative and Judicial Salaries (the Quadrennial Pay Commission) reported that

> "Members of Congress who made $42,500 in 1969 now make the equivalent of $25,724 in 1969 dollars, a decline of 39.5%. Executive branch officials experienced the same decline in purchasing power." (page 5.)

Simple arithmetic shows that Congressional salaries and those of Level II Executives would have to be increased 65.3 percent to overcome the 39.5 percent decline noted by the Commission for 1984. Since then there has been a further decline.

The General Accounting Office in its September, 1985 report to you, Mr. Chairman, titled "Comparison of Federal and Private Sector Pay and Benefits" reported that

> "October 1977 was the last time that federal employee pay was set at the level that the Pay Agent's analysis showed would produce comparability. While the Employment Cost Index has a cumulative increase of 65.5 percent from the third quarter of 1984, federal white-collar pay experienced a 44.5 percent cumulative increase."

These numbers indicate that private sector pay was 14.5 greater than Federal employee pay at the end of 1984. By next January, a continuation of the 5 percent rate of increase for private sector employees, combined with the current pay freeze for Federal employees, would result in private sector pay being 21.9% greater than average pay of Federal employees in the General Schedule.

In December 1984, the Hay Group issued its report titled "Study of Total Compensation in the Federal, State and Private Sectors" to the House Post Office and Civil Service Committee. I want to focus here on just one aspect of the Hay study, its comparison of total cash compensation between the Federal and private sectors.

The Hay Group evaluated positions representing the vast majority of the 1.4 million full time equivalent (FTE) employees in the General Schedule. As of March, 1984 the Hay Group found that GS pay "would have to be increased by 10.3% to match private sector pay levels for equivalent positions." On March 19, 1986 they reported in testimony before the House Post Office and Civil Service Committee on the results of their update of that study to March 1, 1986. They found that a deficit of 18.9% now existed.

They also found that the disparity was worse at the higher grade levels. As of March, 1984, pay at the GS-13, -14 and -15 levels would have to be increased by 15.8%, 19.9% and 25.5% respectively to match total cash compensation of private sector counterparts. Adding 8.6 percentage points to these figures gives an estimate of the updated results. For example, the new GS-15 figure would be about 34%.

In its 1984 report the Hay Group also did a special study of selected ES-6 positions. For this selected group of ES-6 senior executives, their total cash compensation would have to be increased by 72.5% to bring it up to the average total cash compensation of their private sector counterparts.

Presumably, the majority of SES positions do not have the level of difficulty of this selected group of ES-6 positions. On the other hand, they are more difficult than GS-15 positions, which we have seen would have to be increased in salary by 34% or so to match the total cash compensation of private sector counterparts. Thus, it seems fair to conclude from the earlier Hay study and its recent update that pay of senior executives would have to be increased somewhere between 34% and 72% to equal the average total cash compensation of their private sector counterparts as of now.

The New York Times of Sunday, April 13, 1986 reported results from the 1986 Endicott Report, an annual survey conducted at Northwestern University of the hiring plans of 230 major companies. The average starting salary for college graduates will be $21,060. For comparison the first step of the GS-5 pay grade is $14,390. For Masters degree graduates, the disparity is even greater.

In your hearings last week, you received numerous reports of agencies having great difficulties hiring and keeping qualified employees in a variety of fields. You undoubtedly will hear more of that today. It is true that in years past well qualified people accepted positions in the Federal Government even though they could earn higher salaries elsewhere. It is much less true today.

As you can see, while we fully appreciate the fact that the Federal government is now facing serious problems attracting and retaining scientific and technical personnel and attracting and retaining qualified personnel in certain geographic areas, we believe that there is a growing pay compensation crisis overall. Further, we are deeply concerned that efforts to address this compensation crisis on a piecemeal basis by attacking what may well be the tip of the iceberg will only exacerbate that overall problem to which we must inevitably turn our attention in the very near future, if government is to operate efficiently and effectively. Coupled with our major concern regarding the need for consideration of the broader question of across the board compensation is our equally serious concern regarding the cumulative effect of the current legislative agenda concerning Federal employees. May I draw your attention to the fact that, at present,

-- The House passed tax reform bill contains a provision which eliminates the three year window for recovery of already-taxed retirement system contributions by Federal employees. This provision would encourage many skilled and experienced Federal employees to retire prior to its effective date.

-- S. 2197 will provide an opportunity for Federal employees to take advantage of "early out" retirements. While this may well alleviate the impact of tax reform provisions and reduce the strain of Gramm-Rudman on many agencies, again, it will encourage many skilled and experienced Federal employees to retire.

Your retirement bill for post-1983 employees provides a greater portability of benefits for employees, who thus may leave Federal service in mid-career.

OPM has drafted legislation, pursuant to the President's budget proposals, which would increase the retirement contribution for Federal employees in the existing system, raise the minimum age for retirement, and change the method of calculating retirement benefits.

Thus, while special pay legislation seeks to attempt to attract and retain government employees, other legislative proposals seek to permit or encourage those same employees to leave government employment or to never consider entering Federal Service. At best, these proposals are at cross-purposes. Our concern, then, is that it is time to stand back, analyze the problems besetting the career service, determine appropriate objectives, and adopt a coherent personnel policy for the Federal government. I cannot emphasize too strongly our concern that this must be done and done soon.

Each of the three bills being discussed today is a well-intended, good faith attempt to deal with a specific aspect of the much more general problem of employee compensation. S. 1327, introduced by Senator Trible, would permit special higher rates of pay in geographical areas where the Federal Government is having significant recruitment or retention problems. S. 1727, the Federal Science and Technology Revitalization Act, introduced by Senator Bingaman with several co-sponsors, would set up alternative personnel management systems with higher pay so that the Federal Government can pay competitive salaries to vitally need scientists and engineers and senior technical management. S. 2082, introduced by Senator Quayle, addresses the problems the Department of Defense is having with its acquisition programs by setting up a new Defense Acquisition Service outside of the current personnel management system with new pay authority.

If forced to choose, we would favor S. 1727 over the other two proposals. It contains the basis for covering the broadest numbers and categories of employees in all agencies, and would do so on the bases of performance and the need of the agency.

S. 1727, however, does have its faults. It is easy to anticipate that two agencies could be in the position of competing with each other for the same kind of employee with the same job and two different pay scales in the same location. The thought of DoD or NASA enticing clerks from the Social Security Administration because the former agencies have more money may seem reasonable now. But, when the Social Security claims aren't handled or the checks are late, it won't seem so reasonable.

We say "if forced to choose" because, in reality, the problem being addressed is government-wide, and is going deeper into the system. We are no longer paying enough for good employees, and we therefore can't get them and we can't keep them. All three bills are band-aids. They won't cure the cancer in the system, and they don't try to. Right now, we say we need more scientists and engineers. I remember in 1970-72, when engineers were a glut in the Government because of a change in emphasis and were being "riffed." The day will come when the emphasis changes again, and they will again be a glut in the market.

Two weeks ago, airport guards became important, and we discovered the ones we had weren't very good because the good ones had left for other, better paying jobs. So, OPM raised their pay 30%. Where will the crisis be next? Immigration if a new immigration bill passes; IRS if massive fraud is discovered; HUD if people begin dying in public houses from a plaque caused by the rats; or may be in solar power if oil prices go through the roof again. This government today reminds us of Peter running around sticking his fingers in the dyke wherever it cracked until he ran out of fingers.

These piecemeal approaches won't work in the long run. They may for a short period, but not for long. We have asked before, Mr. Chairman, for a new little Hoover Commission, as proposed by Congressman Wolf and Senator Warner. Last year, the Senate passed such a bill. Now, in the face of the beginning of legislative proposals to slice the government personnel system up into numerous little vertical pieces, we are begging for such a Commission. We must begin the process, once again, of building a system which will work in the long run and will get and keep good people in government. Until we do, we will support S. 1727 as the best band-aid offered. At least it has a little iodine on it and may sting enough to wake up a few people.

Thank you for this opportunity to comment. We would be happy to answer any questions you may have.

PREPARED STATEMENT OF JAMES PEIRCE

Mr Chairman and Subcommittee Members:

I am pleased to appear before the Subcommittee today to testify on three bills which address the problem of attracting and recruiting qualified civilian personnel. Although each of the legislative remedies proposed is tailored to meet different needs, they all share one thing in common: a recognition that the Federal government can no longer compete against the private sector in hiring the best and the brightest. The National Federation of Federal Employees shares the same concern over the Government's hiring. We therefore commend the Chairman for conducting hearings which will, I hope, lead to the necessary reforms.

One of the greatest barriers to the recruitment of Federal employees has been the failure of the pay system to offer competitive wages. Ironically, this is just what the authors of the system intended to prevent. Under the terms of the 1970 Pay Act, Federal Pay is based on the principle of comparability. In other words, civil service employees should receive the same rates of pay as private sector workers for the same type of work. The comparability principle is sound in that it places the Government in a neutral competitive posture (i.e. paying no more nor less than private industry) and treats civil servants equitably.

Each March, the Bureau of Labor Statistics conducts an extensive survey of private industry to determine the wage movements in various occupations for the previous year. The BLS data is then applied to the Federal white-collar schedule--the so-called General Schedule or `GS'-- to set the salary increases each GS grade should receive on October 1st. Approximately 70% of the 2.2 million employees of the Federal Government are classified as General Schedule employees.

But the pay comparability system has failed to work because the President was given the authority to recommend an alternative pay increase. The result has been a series of pay raises that have not paralleled private sector wage increases. In nine of the last ten years, the October 1st pay increase has been capped so that, by the most conservative estimate, Federal pay has fallen significantly below private sector rates. According to a congressionally -commissioned study of Federal compensation by the Hay Group in 1984, Federal pay was found to lag 10.3% behind the private sector. The Hay Group updated their study this year to reflect a gap of almost 18.9%. They found that while private sector rates have risen by about 12.7% since March, 1984, Federal total cash compensation has increased by only 4.1% .

It should come as no suprise that the Federal Government is experiencing hard times with its recruitment. At present, the annual pay adjustment mechanism is nothing but a political tool for each Administration to keep Federal wages at an artificially low level. Because the President has the final say in determining the civilian pay increase, a less expensive workforce has become more important than a quality workforce. The Federal Pay Comparability System does not allow the Government to attract the best qualified candidates it needs. In fact, the Government is well on its way to becoming the employer of last resort.

The subject of today's hearings is a legislative remedy by which agencies can resolve their hiring and retention problems. The three bills to be discussed today all have a common thread that runs through them; specifically, a greater authority for agencies to set higher pay rates. While this is one approach to the problem and it is far from the best. The expansion of special pay rates and performance -based pay systems is a piecemeal approach which addresses the result instead of the root of the hiring problem. A much better resolution would be to reform the entire Federal Pay Comparability Act of 1970. By doing so, you would forgo the need to create hundreds of seperate pay systems that only further complicate the problem.

But in the absence of any immediate improvements to the Pay Act, Senator Trible's bill (S. 1327) offers the best approach to meeting agency recruitment difficulties. Currently, agencies can request special pay rates to help them attract and retain employees in hard-to-fill positions. In making the request, the agency must show the Office of Personnel Management a significant recruitment and retention problem. It must also demonstrate that staffing problems are caused by substantially higher non-Federal pay rates.

Once higher pay rates are sought, OPM is under no strict time limit in which to rule on the request. And therein lies a fundemental problem with the current special pay rate authority. The personnel agency has, in the past, interminably delayed acting on these requests. Under the tenure of former Director Dr Donald Devine, OPM would take no action on agency requests for months. And when OPM did take action, it would often deny the higher rates. Dr Devine made clear his dislike for the special pay rate authority and withheld pay requests accordingly. For both agencies and employees alike, it was an exercise in frustration.

Senator Trible's legislation would give strength to the special pay authority by forcing OPM to act within a specific time. S. 1327 requires OPM to set standards an agency must meet to qualify for the higher pay rates. Once the agency has submitted the request, the Office of Personnel Management must act within 45 days to reject it. If no such action is taken during this period, the rates go into effect. If the authority is rejected, the agency may resubmit the request for reconsideration.

Forcing OPM to act on a special pay rate request is the only way the program can work. While we support the imposition of a time limit, we would like to see it shortened to 30 days. If an agency is experiencing so many recruitment and retention problems that it must seek higher pay rates for its employees, the agency's mission has been compromised. For every day of delay in the ability to offer higher salaries, the agency suffers a destructive loss of productivity. By compressing the proposed 45 day window to 30 days, you would further improve the service or product of the agency.

Although S. 1327 requires OPM to respond to an agency within a given time, it does not provide a mechanism by which the agency or its employees may appeal a decision to deny the special pay rates. What the bill lacks is a means by which the denial can be challenged. Without such a means, the pay rates are still subject to the whim of the OPM director. As in the past, reasonable requests could be denied without recourse. It is equally important to add a requirement that OPM notify employees in affected positions of any final decision to deny the special pay rates.

We would also like to see S. 1327 amended to grant all employees on special pay rates the same percentage pay increase General Schedule employees receive annually. Several years ago, it was the unstated policy that employees in hard-to-fill jobs could not only receive the higher rates of pay but also the annual GS pay increase. This merely strengthened an agency's ability to retain its employees.

However, under the direction of Dr Devine, special pay rate employees were not guaranteed the GS raise; a denial which which was counter-productive to the hiring benefits of the special pay rates. If agencies are to be given the authority to offer these rates of pay to recruit qualified candidates, OPM should not penalize the employees by denying them the annual pay adjustment. The past policy of granting salary adjustments should be codified to prevent future manipulation.

While the NFFE supports the intent of S. 1327 to expand higher pay authority, we do not support the proposed change in within-grade increases. Under the Senate bill, employees covered by special pay rates would be granted periodic step increases based on the recently established performance management and recognition system. We do not yet know whether this merit system will prove to be as successful as its authors intended. Furthermore, it would not be practical to place non-management or non-supervisory personnel on a merit system designed for management personnel. To do so would only fragment the current appraisal system.

The system would also be confusing to the supervisors and managers. Because no special pay rate authority is permanent, an employee's pay status could change several times throughout his career. Likewise, the manner in which within-grade increases are granted would constantly change. This would be especially confusing for supervisors and managers. We therefore urge the Subcommittee to amend S. 1327 by providing periodic increases in accordance with current law (5 U.S.C. Section 5335).

Before concluding my remarks about Senator Trible's legislation, I would like to commend him for proposing two innovative compensation measures--the first is a salary advance and the second is a bonus payment. Giving an agency the authority to make salary advances to new employees will certainly improve the agency's ability to attract a larger, more dispersed market of employees. The second idea, that of a bonus payment, could also be a good recruitment and retention tool, but not as it is currently proposed. S. 1327 would allow an agency to grant employees a bonus payment not to exceed $10,000. However, the employee must agree to remain with the agency for a given period of time. If he leaves his job before the time has expired, he will in effect be fined.

This is not so much a bonus payment as it is indentured service. A bonus is given in recognition of service performed. It is not a contractual obligation to hold an employee in service. Furthermore, by penalizing employees for the need or desire to leave the agency's service, the legislation places an unfair financial burden on the worker. For example, if an employee must leave for medical reasons (ie. pregnancy), it is unlikely she will return to the workforce for several months or years. Repayment at this time would be difficult at best. Even though the legislation does allow the agency to waive the repayment, there is no guarantee that such a decision will be made. I therefore urge you to delete the repayment clause in Section 5303b of the bill.

I would now like to turn to the remaining two bills, S. 1727 and S. 2082. Although these bills differ from the special pay rate legislation, they too were designed to help certain agencies recruit and retain employees. Since each would establish seperate personnel systems, I will address my remarks to both.

S. 1727 proposes changing the way Federal scientists and engineers are compensated. The bill would allow agencies employing these professionals to establish alternative personnel systems for each occupational group. Based on the U.S. Navy's China Lake Demonstration Project, the legislation gives Federal agencies broad authority to set their own pay, grade and incentive systems along loosely written guidelines. While this may be appealing in theory, it would be a nightmare to amdinister. Allowing agencies to establish their own compensation systems would result in a confusing array of personnel systems. You could conceivably have over one hundred seperate personnel systems operating on different standards. But the freedom to design individual systems would come at a cost. Each agency would be forced to increase their administrative costs, or eliminate other costs, to hire the personnel staff necessary to administer the various systems. It is also possible that agencies would begin to compete against each other to recruit qualified candidates. This too could quickly boost agency personnel costs.

Even if the new pay systems were easy to administer, we don't know how well they would work when applied to such a large group of employees. S. 1727 would cover 169,000 scientists and technicians; a group of employees significantly larger than the China Lake Project. And S. 2082 would cover another 10,000 workers. Although the Navy and OPM have rated the Project favorably, no Federal employee representatives have participated in such an experiment. And we are not sufficiently satisfied that the application of a performance system for such a large group of workers could be done in a fair manner. It has been our experience that merit systems, such as the ones envisioned in S. 1727 and S. 2082, bring personal politics into the performance appraisal process to the detriment of employees.

The time has not yet come to expand the China Lake Project. Before such an expansion, Congress should authorize a more extensive series of alternative pay projects in which recognized employee representatives could participate.

In conclusion, I would like to reiterate the need to reform the entire Federal pay system. The Government should not be exeriencing recruitment and retention problems. And it should not be forced to resort to special pay rates or alternative personnel projects to attract and keep employees. The introduction of S. 1327, S. 1727 and S. 2082 clearly demonstrates that the pay system is not working. But the fragmented, band aid approach they offer is not the answer to the Government's hiring problem. What is needed instead is a thorough review of the 1970 Comparability Act to solve the problems where they originated.

That concludes my statement. I will be happy to answer any questions you may have.

PREPARED STATEMENT OF MARTIN L. DUGGAN

Senator Stevens, thank you for inviting me to appear before your Subcommittee this morning. On behalf of my two Committee colleagues and myself, let me say I am grateful for the opportunity to address the Senate bills under consideration and also offer comments on pay issues for all Federal workers.

I believe that the bills before you today--S. 1327 and S. 1727 and, to a great extent, also S. 2082--are related to the way the Federal Pay Comparability Act of 1970 (P.L. 91-656) has operated. For this reason, I would first like to review with you some of the background of the 1970 Act and then address the issues raised by the bills before this Subcommittee.

As you know, the Advisory Committee on Federal Pay was established by the Federal Pay Comparability Act of 1970 (P.L. 91-656) as an independent body and adviser to the President on pay matters. The Committee's recommendations are intended to apply to pay affecting approximately 1.4 million Federal employees covered by the General Schedule, those employed in the Department of Medicine and Surgery of the Veterans Administration, and the Foreign Service. Since 1978, pay caps imposed on white-collar workers have been extended to blue-collar workers as well.

The Advisory Committee is composed of three private citizens who are appointed by the President to serve 6-year terms at staggered intervals. The 1970 Pay Act assigned primary responsibility for setting pay to the President, with Congress having the power to override his decision. This delegation to the President was a deliberate effort to avoid the problems of political consideration and pay caps that had been experienced under the Salary Reform Act of 1962. This 1962 law first established the comparability principle and Congress had the primary responsibility for setting pay. Since Congress was unable or unwilling to legislate pay increases for Federal workers, the 1962 Act proved unworkable and the 1970 Act has fared no better.

In October 1977, the Pay Agent (composed of the Directors of the Office of Management and Budget and the Office of Personnel Management and the Secretary of Labor) and this Advisory Committee recommended that a 7.05-percent increase be implemented. This was the last time that the full comparability increase has been put into effect. Since that time, pay adjustments recommended and those actually granted have differed greatly. In addition, the last three pay adjustments--4.0 percent in 1984, 3.5 percent in 1985, and a freeze in 1986--have all been effective in January. The military, however, continues to remain on the October schedule.

Federal pay has not been linked to any index measure; rather, economic conditions affecting the general welfare have been cited for recommending alternative pay plans. The gap between the private and Federal sector is now substantial, according to figures provided by the Bureau of Labor Statistics and private study groups. When I appeared before the House Post Office and Civil Service Committee, Subcommittee on Compensation and Employee Benefits on March 19, 1986, I heard testimony from the private consultant firm of Hay/Huggins stating that on cash pay alone Federal workers trailed the private sector by almost 19 percent. When benefits--pensions, health insurance, holidays, and leave--are also considered, the difference is still nearly 16 percent. While we could question Hay's use of only 1,000 large and medium sized employers, the pay difference between their March

1984 and March 1986 study clearly shows the gap has widened substantially, by 8.6 percent. The addition of smaller sized firms and public sector entities could, perhaps, reduce these findings; however, the magnitude of those numbers is too great to be easily dismissed.

I believe the bills introduced by Senator Trible (S. 1327), Bingaman (S. 1727), and also Senator Quayle (S. 2082) seek to address the pay problems we now face in the General Schedule and those systems linked to it. There is a general frustration with the current system and it appears that we are trying to correct only the most visible and critical problem areas first.

Let me turn to Senator Trible's bill, "To amend title 5, United States Code, to modify the authority under which higher rates of pay may be established in geographic areas where the Federal Government is experiencing significant recruitment or retention problems and for other purposes." This bill permits agency heads latitude in establishing higher rates of basic pay if the agency finds difficulty in recruiting or retaining well qualified individuals in one or more occupations in one or more areas or locations.

There currently exists under Section 5303 of Title 5, U.S. Code, authority for the President to establish special rates when private sector pay rates are so substantially above the statutory pay limits that the government's ability to recruit and retain well qualified persons is handicapped. According to the General Accounting Office, the use of special pay rates is increasing. In Fiscal Year 1977, 8,000 persons were under special rates compared to 37,000 now. According to GAO, this increase reflects the less than comparability pay increases granted in the past, the across-the-board increases granted rather than different percentages based on grade as needed, as well as geographic and occupational variations in the private sector. OPM's list of special pay rates shows that most are in engineering and health care organizations; however, there are notable exceptions. For example, all clerical occupations in Alaska require special rates and even clerical occupations in other areas are under the special rate program. In addition, employees in Alaska receive a special cost-of-living allowance.

I fear that expansion of the special rate authority as proposed under S. 1327 may create some difficulties. Let me suggest a worst case scenario. If, for example, the New York City Federal Center has ten agencies that are finding it difficult to recruit and retain clerical workers, and each would be granted special authority under S. 1327. Posting for these jobs will bring applicants not only from the private sector but from these and other Federal agencies as well. Federal rates for the same job could differ between agencies, within agencies, and even in the same building.

I use the example of clerical workers as illustration for a purpose. Approximately one quarter of the 1.4 million white-collar workers are in secretarial and clerical positions. Clerical workers have had a higher turnover rate among all occupational groups, with rates twice that for all groups, 12.4 percent vs. 6.8 percent, according to a Congressional Budget Office study, "Employee Turnover in the Federal Government," dated February 1986. In the first 5 years, their turnover rate is 19.5 percent. Based on the already known fact that some clerical workers are under speical rates and that many agencies are experiencing high turnover, it is highly likely that agencies would be competing against themselves for the most capable, and, in the process, internal equity within the government would be abandoned.

As an alternative to this approach, the Advisory Committee recommends that the General Schedule be split and that employees recruited in a local area be paid wages prevailing in that area. This recommendation is not new and has been repeated by commissions and boards studying Federal pay issues for decades. Last spring, the Advisory Committee undertook an extensive review of the pay setting process and called upon experts in pay and public administration. Among the reforms most often mentioned was the need to base pay on a locality basis. This recommendation is not a popular option because some fear that wages would be reduced or depressed in some areas as a result of the change. We believe, however, that local labor market conditions would be more accurately reflected within the Federal pay system and that this change would be greeted warmly by the general public. It is no secret that the Federal worker is too frequently viewed as overpaid. A revision of the system would go a long way to create a better image of the Federal worker. Under such a locality system, like graded persons would be paid the same within an area.

Rather than attempt moving to locality rates all at once, we suggest that it is first advisable to monitor the impact of such a geographic wage change on one or two localities only. Similarly, if Congress believes that the extension of the special wage rate is more appropriate, then we strongly urge that one or two locations be first tested and that these experiences be carefully monitored before permitting change on a broader scale. While the General Schedule may not satisfy all needs, it was devised in 1923 to correct a chaotic situation where different departments paid different wages for the same job.

Even though we were not present for the pre-1923 happenings, we would recommend that the past be researched and its pitfalls be avoided.

Permit me to offer another suggestion that is entirely consistent with the existing law. As I mentioned earlier, the General Accounting Office attributes the rise in the number of employees under special rates to a number of factors, one of which is the failure to provide pay increases as needed by grade and, instead, adopting the policy of general across-the-board adjustments. The Federal Pay Comparability Act clearly permits the use of a range of increases to be effective and the Pay Agent and the Advisory Committee reports have recommended that ranges be used in the past. Last August, the Pay Agent report showed that the comparability gap averaged 19.15 percent and ranged from 18.4 percent at the lower grades to 20.9 percent for Grades 14 and 15. Previous reports showed even wider differences among the grades. Based on the law, it is entirely possible to implement increases varying by grade, which reflects varying levels of responsibility. As a practical matter, however, we realize that the pay adjustments have been small and that any benefits gained by this proposal may be offset by frictions that would develop within the work force. This proposal would be appropriate only if more meaningful increases are granted.

I would also like to call attention to the Bureau of Labor Statistics' expansion of its Professional, Administrative, Technical, and Clerical Survey. In 1986, the PATC survey will show wage rates for establishments with as few as 50 workers. In 1987, the Bureau will survey State and local governments, and, in 1988, establishments with as few as 20 workers will be included. This 3-year expansion will cost $2.1 million and add 46 positions to the Bureau's budget, according to BLS. We strongly support this expansion effort, look forward to its results, and are hopeful that whatever adjustments are called for will be incorporated into the General Schedule.

Let me now turn to S. 1727. Senate Bill 1727 authorizes an alternative personnel management system for scientific and technical employees in the Federal Government. The bill establishes a Senior Scientific and Technical Personnel Service with special pay, bonuses, and new retirement beneftis. The government's need to attract and retain the most capable and talented engineers and scientists is well understood and greatly appreciated. As members of the general public, we understand the need to adequately compensate those deserving already within the system and bring the most qualified on board. The question I raise, however, "Is it necessary to enact legislation to create special provisions for engineers and scientists?" "Can and shouldn't their needs be met with existing legislation?"

As already noted, engineering is one of the largest groups of occupations under the special rate category. If the limitations of the pay maximums are now too low, then they should be increased. A special pension option for this category of worker again distorts the internal equity goal. Such a special pension plan may not be needed if agreement is reached on the supplemental pension plan for new hires (January 1984 on), to be decided by the House and Senate. The new plan is likely to provide for 401k contributions by the employees and government.

Senator Quayle's bill establishes a Defense Acquisition Service of 10,000 civilian positions and limits employment contacts between senior officials of the Department of Defense and contractors. One of the major sections of the bill details maximum and minimum pay for civilians, special performance awards and a special severance pay plan for senior defense officials. Both the need for a special acquisition group and the need to prohibit defense employees from working for defense contractors are issues outside the scope of the Advisory Committee's mandate. However, the Committee can comment on the pay portions of the bill.

Again, we believe that these special pay provisions are motivated by the need to adequately compensate Federal workers performing important functions.

In the past few years, there has been a splintering of types of pay plans from the General Schedule, the Senior Executive Service, merit pay plan for managers, and pay for performance for all workers that became effective this month.

Further splintering and applying bandages to the current system may not be sound long-term solutions or in the best interest of the government or the public. While we sympathize with the special groups singled out, we have concern for the entire Federal work force and the integrity of a system that is equitable, fair, and enduring. We believe that in the long run, locality pay, a range of increases by grade, and full comparability of pay and benefits will provide both the government with an equitable system and adequate compensation to its employees.

Senator Stevens, this concludes my comments and I will be happy to answer any questions you might have.

ADVISORY COMMITTEE RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR GORE

1. Question: In your testimony you seem to put most, if not all, blame on low pay as the reason the government is unable to attract and retain quality personnel. Don't you think that part of the problem stems from an unweildy personnel system that all too often rewards people for longevity, rather than performance? Quality personnel under the current system do not receive much motivation when they see other employees simply marking time and still receiving pay increases.

   Is the fact that S. 1727 is a performance based system of concern to you?

   Answer: There are a number of reasons why the government is experiencing difficulty in recruiting and retaining the quality personnel it requires. Pay is one factor. Others include the uncertainty over the future of pay and benefit levels that the government now provides but is changing. Perhaps equally important, however, is the tarnished image of the government as an employer. We have seen survey results of polls taken of senior executives, many of whom state they would not recommend the Federal Government as a place to work for young people coming out of school. This is a rather sad commentary on how people within the system feel about their employer. No, we agree there are several interacting forces that contribute to the problem, with pay just one of them.

   In recent years, there has been an emphasis on pay for performance. A program has been developed for GS/GM staff in the 13-15 level and is now being introduced government wide. There is more emphasis on performance and reward for outstanding and better than satisfactory performance. Since this program is so new, I believe we need time to see how it works.

   Our major concern with S. 1727 is not with a performance based system, rather, the splitting off of a group of Federal employees, engineers and scientists, and providing a special pay and compensation system for them. We believe that the problems are more widespread and that other groups of employees could easily seek similar preferred treatment.

2. Question: Due to the current budget climate, it is highly unlikely that the compensation of federal employees will be raised to full comparability with the private sector. Given this restriction, would you approve of extending the alternative personnel system embodied in S. 1727 to other federal employees?

   Suggestions have been made that if the justification can be made for including other skills in the alternative personnel system, it would be beneficial to the federal workforce. Do you agree?

   Answer: We realize that the full comparability adjustment is unlikely to be granted, given the budget reduction effort. However, if merit pay increases are to be given, they must be paid by funds coming from some source, that is, funds appropriated by Congress. If there is no money appropriated for salary increases, there will be no money available for either general or merit raises. I would like to point out, however, that under the current system we do have awards that can be made by agencies and, unfortunately, they appear to be underutilized. For example, a recent Washington Post article, May 7, shows that the full number of Presidential Rank Awards authorized over the past 6 years have not been granted as intended. The number of Distinguished Service Awards, which carry a $20,000 bonus and a Meritorious Award of $10,000 have not been fully utilized. Only one-half of all Distinguished Service Awards are given that are authorized, and only 2 percent of the possible 5 percent of the executives eligible have been given rank awards.

   Similarly, all agencies have an awards program for all other employees, which carry both monetary and nonmonetary recognition, as well. Again, these are subject to their total budget limitations.

ADVISORY COMMITTEE ON FEDERAL PAY
1730 K STREET, N.W.
WASHINGTON, D.C. 20006
(202) 653-6193

Martin L. Duggan, Chairman
Eve Robins, Member
Frank G. Zarb, Member

Lucretia Dewey Tanner,
Executive Director
Betty Woodward, Staff Assistant

April 30, 1986

Honorable Ted Stevens
Chairman
Subcommittee on Civil Service, Post
  Office, and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for inviting me to appear before your Subcommittee on April 30.

At the time I presented my statement on the three bills before you--S. 1227, S. 1727, and S. 2082--you asked me to provide information about the Committee for the record.

I would like to include the enclosed information as part of my official statement.

Again, these are difficult pay and compensation issues that we now face, and I look forward to working with you in the future.

Sincerely,

Martin L. Duggan
Chairman

Enclosure

ADVISORY COMMITTEE ON FEDERAL PAY

The Advisory Committee on Federal Pay was appointed by the President in January 1972 as an independent agency established under the Federal Pay Comparability Act of 1970 (Public Law 91-656). The Advisory Committee consists of three private citizen members who are not Federal Government employees. The Advisory Committee is responsible for preparing an independent annual report to the President with recommendations for annual pay adjustments affecting the approximately 1.4 million Federal white-collar employees covered by the General Schedule, those employed by the Department of Medicine and Surgery of the Veterans Administration and the Foreign Service.

In preparing its report, the Committee must consider the recommendations of the President's Pay Agent (the Directors of the Office of Management and Budget and the Office of Personnel Management and the Secretary of Labor) and the views of organizations representing Federal employees.

The Advisory Committee was granted two additional responsibilities as a result of recommendations by the President's Panel on Federal Compensation in December 1975 and an Executive Order signed on July 20, 1977. The first is a labor relations-mediation role--intended to improve the day-to-day and long-term relationships between the President's Agent and the Federal Employees Pay Council, composed of unions representing Federal workers. The second responsibility involves making recommendations to the President for improving Federal compensation policies and practices.

Members of the Advisory Committee are paid a daily rate at Level IV of the Executive Schedule and receive per diem and travel expenses for the time spent on Committee business.

Members of the Committee and their terms are:

Martin L. Duggan	1984-1990
Frank G. Zarb	1982-1988
Vacancy	1986-1992

STATEMENT OF
HONORABLE CONSTANCE HORNER, DIRECTOR
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE, AND GENERAL SERVICES,
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

at a hearing on

S. 1327, S. 1727, AND S. 2082

MAY 14, 1986

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO PRESENT THE ADMINISTRATION'S VIEWS ON S. 1327, A BILL TO AMEND THE GOVERNMENT'S SPECIAL RATES PROGRAM; S. 1727, THE FEDERAL SCIENCE AND TECHNOLOGY REVITALIZATION ACT OF 1985; AND S. 2082, THE DEFENSE ACQUISITION ENTERPRISE AND INITIATIVE ACT OF 1986.

THESE BILLS TESTIFY TO THE FACT THAT THE GOVERNMENT'S PERSONNEL SYSTEM IS NOT WORKING EFFECTIVELY. ITS INFLEXIBILITIES OPERATE AGAINST OUR TOP PERFORMERS AND STIFLE MANAGERIAL INITIATIVE. WE CAN FIND NO WAY TO JUSTIFY A SYSTEM WHICH PROTECTS MEDIOCRITY, WHILE BEING INDIFFERENT TO QUALITY, AND WHICH PUTS A PREMIUM ON "CONTROL" MECHANISMS, WHILE PROVIDING FEW OF THE TOOLS MANAGERS MUST HAVE TRULY TO MANAGE. PRESIDENT REAGAN CAME TO OFFICE WITH THE INTENTION TO MAKE GOVERNMENT WORK FOR THE AMERICAN PEOPLE.

IF OUR DESIRE IS TO "MAKE THE GOVERNMENT WORK," IT'S TIME TO PUT IN PLACE A FAR MORE DYNAMIC MANAGEMENT SYSTEM--A SYSTEM BUILT AROUND PEOPLE, NOT AROUND PAPER.

FORTUNATELY, WE HAVE AN ALTERNATIVE TO THE CURRENT SYSTEM. THE PRESIDENT HAS CALLED FOR A DYNAMIC APPROACH THAT WILL PRODUCE A COMPREHENSIVE SOLUTION. HE SUPPORTS THE CONCEPT OF A SIMPLIFIED, REALISTIC, AND FLEXIBLE PERSONNEL SYSTEM THAT WILL MAKE A REAL DIFFERENCE TO TAXPAYERS AND FEDERAL WORKERS ALIKE. EXPANSION OF THE ALTERNATIVE PERSONNEL SYSTEM SUCCESSFULLY DEMONSTRATED AT TWO NAVY LABORATORIES IN CHINA LAKE AND SAN DIEGO, CALIFORNIA OFFERS AN OPPORTUNITY TO REALIZE THE PRESIDENT'S DESIRE TO FIND A BETTER WAY TO DO THE GOVERNMENT'S BUSINESS. WE WILL SOON BE TRANSMITTING A LEGISLATIVE PROPOSAL TO THE CONGRESS WHICH REFLECTS THE PRESIDENT'S SUPPORT FOR INCREMENTAL EXPANSION OF THE DEMONSTRATED ALTERNATIVE PERSONNEL SYSTEM IMPROVEMENTS THROUGHOUT THE FEDERAL WORK FORCE IN A CONTROLLED, MEASURED, AND BUDGET-NEUTRAL MANNER. TODAY I WOULD LIKE TO DESCRIBE THE OUTLINES OF THE GOVERNMENTWIDE SYSTEM WE WILL BE PROPOSING.

FIRST, HOWEVER, I SHOULD BRIEFLY DISCUSS THE ADMINISTRATION'S VIEWS REGARDING THE BILLS BEFORE THE SUBCOMMITTEE.

S. 1327 PROPOSES A BROADENING OF THE SPECIAL RATES AUTHORITY IN ORDER TO IMPROVE THE GOVERNMENT'S ABILITY TO RECRUIT AND RETAIN WELL-QUALIFIED EMPLOYEES IN HARD-TO-FILL OCCUPATIONS. WE AGREE

THAT THERE IS A NEED TO BROADEN THE SPECIAL RATES AUTHORITY. HOWEVER, THE NEED FOR EXPANSION OF THE SPECIAL RATES PROGRAM IS FURTHER EVIDENCE OF THE BREAKDOWN OF THE GENERAL SCHEDULE'S ABILITY TO RESPOND TO AGENCY NEEDS. THEREFORE, A BROADENING OF THE SPECIAL RATES AUTHORITY ALONE AT BEST SHOULD BE REGARDED AS A STOP GAP MEASURE TO BE USED UNTIL AGENCIES ARE PROVIDED WITH MORE FLEXIBILITY TO RECRUIT AND RETAIN A QUALITY WORK FORCE.

S. 1727 AND S. 2082 BOTH PROPOSE THE ESTABLISHMENT OF ALTERNATIVE PERSONNEL SYSTEMS FOR SPECIFIC OCCUPATIONAL GROUPS. WHILE WE HAVE SOME OBJECTIONS TO SPECIFIC PROVISIONS OF THESE BILLS, OUR CHIEF CONCERN IS WITH THE DANGER THAT THEY WOULD BEGIN THE PROLIFERATION OF PIECEMEAL ALTERNATIVE PERSONNEL SYSTEMS WITH NO ADEQUATE COST-CONTAINMENT MECHANISMS. BY CONCENTRATING ON PROBLEMS ASSOCIATED WITH OCCUPATIONS, THEY DO NOT ACCOMMODATE THE DISTURBANCES THAT SUCH FRAGMENTED APPROACHES COULD CREATE. THE PROLIFERATION OF SUCH PIECEMEAL ALTERNATIVE SYSTEMS COULD VERY WELL LEAD TO INTER-AGENCY COMPETITION FOR VALUABLE EMPLOYEES, DECLINING MORALE FOR EMPLOYEES LEFT OUT OF THE NEW SYSTEMS, AND AN ATTENDANT LOSS OF FEDERAL PERSONNEL MANAGEMENT INTEGRITY AND CONTROL. WE BELIEVE THAT THE CENTRALLY ADMINISTERED ALTERNATIVE PERSONNEL SYSTEM THAT WILL BE SET FORTH IN OUR LEGISLATIVE PROPOSAL WOULD BE A FAR BETTER APPROACH. THIS SYSTEM WOULD ALLOW AN INCREMENTAL EXPANSION OF THE SUCCESSFUL DEMONSTRATION PROJECT THROUGHOUT THE FEDERAL GOVERNMENT IN A CONTROLLED, MEASURED, AND

BUDGET-NEUTRAL MANNER. AT THE SAME TIME, IT WILL PROVIDE DEMONSTRABLY SUCCESSFUL WAYS OF SIMPLIFYING THE HIRING AND CLASSIFICATION OF EMPLOYEES, FOR MATCHING PAY MUCH MORE CLOSELY TO MARKET NEEDS, AND FOR TYING PAY TO ACTUAL PERFORMANCE.

AS THE BILLS BEFORE THE SUBCOMMITTEE DEMONSTRATE, IT HAS BECOME INCREASINGLY APPARENT THAT THE GENERAL SCHEDULE SYSTEM IS NOT EFFECTIVELY MEETING THE NEEDS OF FEDERAL AGENCIES, OR OF EMPLOYEES AND MANAGERS. THIS SYSTEM, WHICH HAD ITS ORIGINS OVER 60 YEARS AGO, STRESSES ADMINISTRATIVE PROCEDURE AT THE EXPENSE OF MANAGEMENT FLEXIBILITY AND CONTROL. AS A RESULT, FOUR BROAD AREAS OF DISSATISFACTION WITH THE CURRENT GS SYSTEM HAVE EMERGED:

- THE HIRING PROCEDURES ARE EXCESSIVELY REGULATED AND TIME-CONSUMING.

- THE COMPENSATION SYSTEM IS RIGID AND OFTEN INADEQUATE.

- THE PERFORMANCE APPRAISAL SYSTEM DESPITE MAJOR IMPROVEMENTS, STILL DOES NOT SUFFICIENTLY TIE PAY TO EMPLOYEE PERFORMANCE.

- THE JOB CLASSIFICATION SYSTEM ON WHICH IT IS BASED IS CUMBERSOME AND OVERLY REGULATED.

THE CIVIL SERVICE REFORM ACT OF 1978 CREATED IN LAW AN AUTHORITY FOR PERSONNEL RESEARCH PROGRAMS AND DEMONSTRATION PROJECTS TO ALLOW FOR CONTROLLED, MEASURED EVALUATION OF NEW APPROACHES TO PERSONNEL MANAGEMENT. UNDER THIS AUTHORITY, OPM AUTHORIZED THE DEPARTMENT OF THE NAVY TO EXPERIMENT WITH AN ALTERNATIVE PERSONNEL SYSTEM AT THE TWO NAVY LABORATORIES IN CALIFORNIA.

THE DEMONSTRATION PROJECT PERSONNEL SYSTEM SIMPLIFIES THE CUMBERSOME 18-GRADE GS SYSTEM BY SUBSTITUTING SIX BROAD PAY BANDS WHICH PROVIDE MANAGERIAL FLEXIBILITY. OPM, OTHER OBSERVERS, THE MANAGERS WHO OPERATE THE SYSTEM, AND THE EMPLOYEES WHO ARE UNDER THE SYSTEM BELIEVE THAT THE SYSTEM'S FLEXIBILITY HAS RESULTED IN SEVERAL DISTINCT ADVANTAGES:

- THE SYSTEM IS MARKET-SENSITIVE, ALLOWING COMPETITION FOR QUALITY PERSONNEL IN HARD-TO-FILL OCCUPATIONS

- THE SYSTEM IS PERFORMANCE-ORIENTED, ALLOWING THE LINKAGE OF PAY FOR PERFORMANCE TO AN EXTENT NOT POSSIBLE UNDER THE CURRENT GS SYSTEM.

- THE SYSTEM IS ADMINISTRATIVELY SIMPLE, GREATLY REDUCING THE EFFORT AND COSTS ASSOCIATED WITH FEDERAL PERSONNEL MANAGEMENT.

EVALUATIONS OF THE PROJECT BY OPM AND OTHERS, SINCE ITS INCEPTION IN 1980, CLEARLY INDICATE IT IS AN IMPROVEMENT OVER THE CURRENT GS SYSTEM. ITS SUCCESS HAS CREATED MANY SUPPORTERS. THE PRESIDENT'S BLUE RIBBON COMMISSION ON DEFENSE MANAGEMENT, HEADED BY DAVID PACKARD, RECOMMENDED EXTENSION OF THIS "SUCCESSFUL SYSTEM" TO ACQUISTION PERSONNEL IN DOD. IN FACT, BOTH S. 1727 AND S. 2082 WOULD ESTABLISH PERSONNEL SYSTEMS INSPIRED TO SOME EXTENT BY THE NAVY PROJECT, ON A PIECEMEAL APPROACH FOR SEGMENTS OF THE WORK FORCE. AS I HAVE SAID, HOWEVER, WE BELIEVE THAT IT IS NOW TIME TO BRING TO THE ENTIRE WHITE-COLLAR WORK FORCE, IN A CONTROLLED MANNER, THE DEMONSTRATED IMPROVEMENTS OF THE NAVY PROJECT.

THE ADMINISTRATION PROPOSAL WOULD PROVIDE THE LEGAL AUTHORITY FOR A GOVERNMENTWIDE EXTENSION OF THIS ALTERNATIVE PERSONNEL SYSTEM. ITS CHIEF FEATURES WOULD BE:

- PAY BANDING. THIS SYSTEM WOULD CONSOLIDATE EXISTING GRADE LEVELS INTO APPROPRIATE PAY BANDS THAT WOULD GENERALLY ENCOMPASS THE PAY RANGES FOR TWO OR MORE GRADE LEVELS OF THE GENERAL SCHEDULE.

- SIMPLIFIED CLASSIFICATION. WITHIN THE PAY BANDS, THIS SYSTEM WOULD PROVIDE FOR SIMPLIFIED CLASSIFICATION.

- PAY FOR PERFORMANCE. PROGRESSION WITHIN THE PAY BANDS WOULD BE GOVERNED BY PERFORMANCE RATHER THAN SENIORITY, WITH GREATER REWARDS FOR THE BETTER PERFORMERS, AND THE ABILITY TO WITHHOLD ADVANCEMENT FOR THOSE WHO PERFORM BELOW THE FULLY SUCCESSFUL LEVEL.

- MARKET SENSITIVITY. THE NEW SYSTEM WOULD ALLOW THE ADJUSTMENT OF INITIAL RATES WITHIN THE PAY BANDS TO REFLECT MARKET CONDITIONS, ALLOWING FOR THE RECRUITMENT OF QUALITY EMPLOYEES IN CRITICAL, HARD-TO-FILL OCCUPATIONS.

THE PROPOSAL WOULD LEAVE THE CURRENT GENERAL SCHEDULE IN PLACE, PERMITTING OPM TO GRADUALLY REPLACE IT WITH THE NEW SYSTEM IN CAREFUL STAGES. THE FEATURES OF THE IMPLEMENTATION STRATEGY WOULD BE:

- SCOPE. OPM WOULD BE AUTHORIZED TO PERMIT THE IMPLEMENTATION OF THE NEW SYSTEM IN ANY AGENCY, OR FOR ANY COMPONENT OR OCCUPATION OF AN AGENCY, BUT ONLY IF REQUESTED BY THE HEAD OF THE AGENCY, AND ONLY IF OPM DETERMINED THE AGENCY WAS READY AND ABLE TO IMPLEMENT THE SYSTEM PROPERLY.

- COST. THE IMPLEMENTATION OF THE NEW SYSTEM WOULD BE MONITORED BY OPM TO ENSURE THAT THE SYSTEM DOES NOT RESULT IN INCREASED COSTS TO THE GOVERNMENT.

- EVALUATION. AGENCY USE OF THE NEW SYSTEM WOULD BE EVALUATED BY OPM TO ENSURE THAT OBJECTIVES ARE MET. OPM WOULD BE EMPOWERED TO TERMINATE ANY USE OF THE SYSTEM AND RETURN THE AGENCY TO THE GENERAL SCHEDULE IF OPM DETERMINED THAT THE GOAL OF COST NEUTRALITY WAS BEING BREACHED OR THE SYSTEM'S OBJECTIVES WERE OTHERWISE NOT BEING MET.

BECAUSE OF THE INCREMENTAL NATURE OF THE PROPOSED EXPANSION OF THE NEW SYSTEM, WE RECOGNIZE THAT SOME IMMEDIATE RELIEF IS NEEDED FOR THOSE AGENCIES WHICH REMAIN UNDER THE GENERAL SCHEDULE FOR THE TIME BEING, AND WHICH EXPERIENCE DIFFICULTIES IN RECRUITING OR RETAINING EMPLOYEES IN HARD-TO-FILL OCCUPATIONS. THEREFORE, OPM WILL BE PROPOSING, AS PART OF LEGISLATION FOR THE NEW SYSTEM, CHANGES TO THE SPECIAL RATES AUTHORITY UNDER THE GENERAL SCHEDULE.

THE NEW SYSTEM WILL PROVIDE AN EPOCHAL REFORM OF THE CIVIL SERVICE WHICH WILL RESTORE THE ABILITY OF FEDERAL MANAGERS TO MANAGE AND MAKE IT POSSIBLE FOR MOTIVATED EMPLOYEES TO PERFORM TO THEIR FULLEST POTENTIAL. UNDER THIS SYSTEM THE FEDERAL WORKER

WHO DOES A GOOD JOB WILL GET PROMOTED, GET PAID BETTER, KNOW WHAT'S EXPECTED, AND WILL NO LONGER BE A PASSIVE PARTICIPANT ENGAGED IN PAPER ACTIONS. WE LOOK FORWARD TO WORKING WITH THIS SUBCOMMITTEE IN ACCOMPLISHING THESE MUCH NEEDED CHANGES TO THE CURRENT SYSTEM.

THANK YOU. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
Affiliated with AFL-CIO
80 F Street, N.W., Washington, D.C. 20001

STATEMENT BY

KENNETH T. BLAYLOCK
NATIONAL PRESIDENT
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
(AFL-CIO)

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE AND GENERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

REGARDING

PAY FOR PROFESSIONAL AND TECHNICAL PERSONNEL AND
RELATED BILLS: S. 1327; S. 1727; S. 2082

ON

MAY 14, 1936

My name is Kenneth T. Blaylock. I am the National President of the American Federation of Government Employees, (AFL-CIO), which represents 700,000 federal employees nationwide. I appreciate the opportunity to testify before this Committee on federal employee pay and personnel systems.

Today, this Committee is considering three bills. Each provides for a special pay/personnel system applicable only to a few, select groups of employees. S.1727 covers federal scientific and technical personnel; S.2082 covers DoD personnel involved in acquisition programs; and S.1307 focuses on the special pay rates designed to address the recruitment problems faced by specific agencies in certain geographical regions.

These three bills are part of a series of special interest pay/personnel bills which have recently been introduced in both the House and the Senate. It is our contention that this recent spate of legislation is a direct result of the breakdown in the present pay setting process. This breakdown poses the fundamental question facing this Committee: should the federal government have a career merit personnel system united by a general pay and personnel system?

The current process for setting pay, if allowed to work, served the existence of a general career, merit personnel system. That policy is based on total compensation comparability for federal employees with their private sector counterparts. It is a market based system and we submit that if the process had not been manipulated through such means as caps and alternative pay plan proposals, there would be no need for the special legislation now before this Committee.

Previous testimony before this committee aptly documents the recruitment and retention problems for top flight managers, correctional officers, various law enforcement officers, engineers, clerical employees, hospital personnel, administrative professionals, budget analysts, computer specials and the list goes on. But, the proposals now pending don't address this problem. They simply provide a temporary remedy for a select few. The situation today is not one of isolated instances of particular pay problems but a generlized collapse of the federal compensation process. The existing pay system has lost credibility with all parties and it is this situation which must be remedied. The system must be dealt with in toto - not in a discordant, fragmented way.

To understand how we get where we are today, we need to briefly review the history of the federal pay setting process.

During the entire evolution of our civil service merit system, graded pay has been a factor. For instance, in 1851 the Senate passed a resolution directing the Secretaries of State, the Treasury, Interior, War, the Navy and the Postmaster General to submit a plan for:

> "... classifying the clerks in those Departments, for apportioning their salaries according to their services, and for equalizing the salaries of clerks of the same grade..." (Emphasis added)

The concept of total compensation comparability is not new either. This philosophy of setting pay according to a market based system was articulated by Congress over 20 years ago and stands today as follows:

> It is the policy of Congress that Federal pay fixing for employees under statutory pay systems be based on principles that --
>
> (1) there be equal pay for equal work;
>
> (2) pay distinctions be maintained in keeping with work and performance distinction;
>
> (3) Federal pay rates be comparable with private enterprise pay rates for the same levels of work; and
>
> (4) pay levels for the statutory pay systems be interrelated.

5 U.S.C. §5301).
This policy is the key to an equitable federal pay setting process and if its tenants had been adhered to over the years by both the President and the Congress, today's pay dilemmas would not exist. Unfortunately, the bills now being considered by the Congress are further examples of retrenchment from setting pay in accordance with this equitably, statutorily mandated, policy.

The policy evolved as a result of the recruitment and retention problems faced by the government years ago which is directly traceable to the periods of inattention to setting federal pay in an equitable manner. From the period 1923 to 1945, wage rates remained almost unchanged except for minor adjustments in the late 1920's, and temporary wage reductions during the depression years. From the period 1949 until 1962, the general schedule was adjusted on an ad hoc basis by

Congress, primarily on political considerations. The concepts of comparability were formalized with the passage of the Salary Reform Act of 1962, which required the President to submit a report to Congress comparing federal and private sector pay rates.

In 1970, Congress enacted the Federal Pay Comparability Act which assigned responsibility for setting pay in accordance with the established pay policy to the President. The Act created the body known as the Pay Agent who must prepare a report on the comparability of federal pay with the rates of pay for the same work in the private sector. The law specified that the comparison was to be based on surveys conducted by the Bureau of Labor Statistics. Recommendation for pay increases is to be expressed as an overall percentage because white collar (GS) pay rates are set nationally, generally without regard to local variations in cost of living. Each year a single nationwide pay table of 15 grades (10 steps within grades) is computed for purposes of the comparison.

Further, provisions of the Act require the Pay Agents' report to include the views and recommendation of employee groups which comprise the Federal Employee Pay Council. The law permits the President to submit an alternative proposal if, because of a national emergency or economic conditions, he considers it inappropriate to implement the Pay Agents' recommended increase.

Finally, the law provided that if either House of Congress adopted a resolution disapproving an alternative pay plan, the comparability adjustments recommended by the Pay Agent would take effect. Federal employees at last thought that their pay would be pulled out of the political process and that their pay and benefits would reflect what their brothers and sisters were earning in the private sector.

The Pay Comparability Act, led to relatively full comparability from the period 1971-1977. However, beginning in 1978, through the manipulation of the process and the issuance of alternative pay plans, federal pay adjustments fell substantially short of the adjustments provided by the Pay Agent's recommendations.

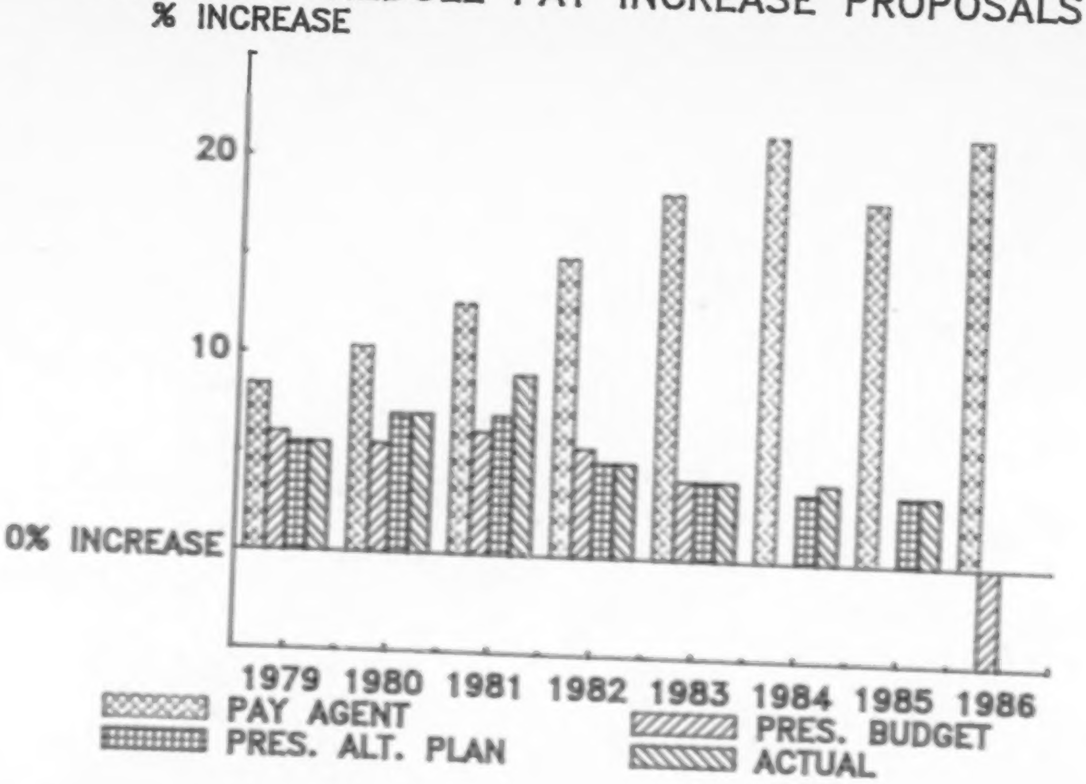
As Table I and the graph show, the gap between full achievement of compensation comparability for federal employees has gone from 2.9% in FY 1979 to over 21.66 in FY 1986.

TABLE I

GENERAL SCHEDULE PAY INCREASE PROPOSALS

	1979	1980	1981	1982	1983	1984	1985	1986
Pay Agent	8.4	10.38	12.69	15.1	18.47	21.51	18.3	21.66
Pres. Budget	6.0	5.5	6.2	5.5	4	0	0	-5
Pres. Alternative	5.5	7.02	7.02	4.8	4	3.5	3.5	0
Actual	5.5	7.02	9.1	4.8	4	4	3.5	0

GENERAL SCHEDULE PAY INCREASE PROPOSALS



The most recent report of the Pay Agent - August 1985 - concluded that, based on the survey results, federal employees were 21.66% behind the private sector. Due to the one year freeze on federal pay effective January of this year and the increase in private sector pay since federal pay was last adjusted, it would seem prudent to conclude that federal pay now trails the private sector by at least 25%. Clearly, the system is not working as it was intended. The misuse of alternative pay plans and Congressional failure to override these plans has directly contributed to this pay comparability gap of the magnitude of 25%.

Despite the dismal record of broken promises, I would like to state AFGE believes that comparability, in principle, is the soundest method of adjusting federal pay, other than full scale collective bargaining. Virtually every commission or formal body convened since 1970, from the Rockefeller Commission to the GAO, has endorsed the principle of comparability; of a market based system for setting federal pay. More importantly, the Professional, Administrative, Technical, and Clerical (PATC), used to determine comparability, has been unerring in accurately reflecting private sector wage movement. Less than a percentage point difference exists between the Pay Agent's findings and the change in the employment cost index over the last seven years ending March 1984. The ECI had a cumulative increase of 65.6%, the Pay Agent's cumulative proposed increase, 65.7%.

This 25% pay comparability gap reflects the average difference between the pay of all federal employees with that of their counterparts in the private sector. Yet, the bills being considered today affect only a few employees mostly those holding positions in grades 11 and above.

As Table II shows, 60% of the General Schedule workforce is employed in position at grades 10 or below. Why then should these employees be ignored in a measure designed to remedy the disparate pay situation?

Establishing multiple pay systems negates the market based pay comparability policy and it could undermine the administration of federal programs. It's no secret that this Administration has pledged an all out effort to reduce the size of the Federal workforce but its chosen methodology has been a mere numbers game played at the expense of dedicated employees. Table II shows that the general schedule and equivalent workforce has increased substantially. Furthermore, Table II points clearly that the increase has been in the numbers of employees occupying positions at GS 11 and above. Its an eyeopener to realize that while the overall size of the GS workforce has increased 21% from 1970, the percentage of employees who occupy positions at GS 6 or below has decreased by 5% during the same time period.

TABLE II

White Collar Civilian Employment
In the Federal Government

Total (1,000) & Percent of Total GS & Equivalent

	FY 70	1975	1980	1981	1983	1984	1985
Total GS & Equivalent	1259	1426	1473	1481	1484	1455	1520
GS 1- 6	521 41%	585 41%	561 38%	563 38%	541 36%	536 37%	551 36%
GS 7-10	302 24%	344 24%	357 24%	359 24%	360 24%	335 23%	365 24%
GS 11-12	264 21%	335 21%	335 23%	343 23%	362 24%	364 25%	377 25%
GS 13-15	164 13%	196 14%	217 15%	215 15%	220 15%	219 15%	226 15%
Other Pay Systems	105	28	29	32	39	84	66
Total	1982	1976	1985	1513	1522	1539	1586

We submit that the situation has now become one of too many chiefs who expect too few Indians to serve the American public without adequate, let alone, comparable compensation. The chiefs are disgruntled, and so are the Indians and so too is the American public which is getting less and less for its tax dollar.

Well, the answer does not lie in fixing the problem for just the chiefs. It lies in equiping the Indians so they can perform their jobs in the interest of the American public.

Prior to making our overall recommendations to the Committee, we would like to make some comments on the specifics of the three bills.

S.1327, seeks to address the problem of the pay system by modifying the authority for the establishment of special, higher rates of pay. It switches OPM's authority to make special pay rate determinations to that of denying special rates determined by the agencies. It greatly expedites the process; removes current limits on starting salaries; allows for a bonus program tied to service agreements and provides other personnel practice changes.

The merit of S.1327 is that it doesn't relate to particular agencies or particular job categories. However, instead of addressing the overall pay problem, it seeks a solution by bolstering the already overburdened special rate program. The special rate program was intended to deal with extraordinary and exceptional cases. It should not be the vehicle to address inadequate pay comparability. If this legislation is enacted, the special rate program could become the means for setting all pay. There would be no coordination and systemization between the special rate programs of the various agencies or between geographical areas and the result could well be anarchy in the pay area.

S.1727 would allow agencies wide latitude in establishing alternative pay and personnel systems for scientific and technical personnel in the Federal government.

Not only does the bill cover just scientific and technical personnel, but the definitional standards for such employees most closely parallels the requirements for employees at the GS-12 level or above. At the outset, this is disparate treatment of career employees. And the disparity deepens when the rest of the bill's provisions are analyzed. Agency's establishing pay system under the bill must provide for annual salary adjustments and may provide:

- separate career categories
- special monetary awards
- for varying rates of basic pay
- 401k type retirement plans where employees can deduct up to 10% of pay with an agency match of up to 100% for up to 5% of pay.

Obviously, in these times of large deficits, adoption of such systems by agencies would not be coupled with increased appropriations to agencies. The cost would simply be absorbed most likely at the expense of those career employees occupying lower graded and/or nontechnical, nonscientific positions.

S.2082 is a proposal to establish a new agency within the Department of Defense. It would be staffed by up to 10,000 civilian employees. This proposal is perhaps the most glaring example of dealing with the present pay problems in a fragmented way. The proposal is a move back toward the personnel situation of 100 years ago prior to passage of the Pendleton Act.

What this measure would do is permit DoD to hire 10,000 civilians at salaries not less than that now paid to GS-7's. These employees would not be under the government-wide competitive service but rather, DoD would establish its own competitive service. The personnel would be utilized to administer major defense acquisition programs. What rationale can be advanced for allowing DoD to staff and control the personnel practices and salaries of employees administering defense acquisition programs? Isn't this analogous to asking the fox to guard the chickens? Certainly, it doesn't seem to be a means for achieving the bill's stated objective of improving the management of the defense acquisition programs.

Lastly, we note §2225(a). This section declares that it is the policy of the Congress to authorize "... the appropriation of funds sufficient to carry out the program..."

We ask for an explanation of why Congress would articulate a policy to fund the salaries of special DoD civilian employees but not agree to fund the total compensation comparability pay setting process for all other employees?

The bottom line is that federal compensation is a mess. Federal pay does not meet the personnel needs of the government nor does it meet the standard of fairness for employees. Given this reality, while we sympathize with some of the goals sought to be achieved and can understand the motivation behind the three bills under consideration, we have to question their wisdom.

If the Congress follows the path of trying to patch up every area of compensation as each area reaches a crisis stage, we will end up with a hodge-podge of hundreds of separate pay and personnel systems with no overall coherence. Such a gerrymandered pay system would be a nightmare to administer, would subvert the principle of equal pay for equal work, and likely would reduce employment mobility within the federal sector. We don't think the nation or federal employees would be served by such a result. We cannot advocate returning to the formative years of the civil service.

I think all parties to the federal pay setting process will agree that some fundamental steps need to be taken to reverse the court of federal compensation. In its 1983 report, the Advisory Committee on Federal Pay stated:

> "While business searches for excellence and considers human resources its most important element, the federal government looks only at the short-run savings by not paying its employees wages they could earn in the private sector. In the long run, government efficiency will suffer by losing the best and brightest who will leave government service or will not enter it in the first place."

The statement was true in 1983, and it is only more accurate in 1986.

AFGE would urge the establishment of an independent commission to review federal compensation. We would strongly recommend that this commission be equally represented by labor, members of the legislative and executive branches, and those who have technical expertise on compensation matters. We feel this commission should have a two-year fixed term to issue its recommendations, followed by Congressional action. The scope of the commission's review must, in our view, include:

- The expansion of demonstration projects to include full scope bargaining between labor and management.
- A review of the antiquated classification system with views toward alternative job matching techniques.
- Development of total compensation models that could be applied to the federal sector.

- The development of a permanent neutral dispute resolution authority.
- Study of regional pay arrangements.

Additionally, we would recommend that on an interim basis, until the commission reaches an agreement and specific legislation is drafted, the current Pay Act be suspended. We would recommend that federal white collar pay and the related pay systems be indexed to a twelve-month percentage increase in the BLS Employment Cost Index for private sector workers. We would view the indexing as an interim step and not as a long term solution to the myriad of issues that any commission would address.

We believe the immediate crisis -- currently being addressed by special rates and proposals to expand special rates would not exist if comparability had been achieved. We think the current problems are best addressed by referencing them to comparability. Why not, as a temporary solution, simply provide comparability for the areas of most critical need. Table III shows what the affect of this proposal would be on some occupations currently receiving special rates.

TABLE III

	Grade	Step	Special Rate	GS Schedule	Comparability
Legal Clerk (In New York)	GS-5	1	16,305	14,390	17,035
Engineer	GS-7	1	23,170	17,824	21,120
Nurse	GS-4	1	15,531	12,862	15,223
Electrical Engineer	GS-11	1	30,034	26,381	31,381

In general, we support the concept of the legislation introduced by Congresswoman Mary Rose Oakar. Her approach has the merit of addressing the immediate crisis in some areas while seeking overall return of the federal pay but only after study and careful evaluation of various alternative pay experiments.

The bill is similar to S.1327 and S.1727 in that it would revise the special pay rates system and allow for a special systems for scientists and engineers in federal laboratories and certain other agencies.

But more importantly, it establishes a Federal Compensation Board with membership along the lines of the Pay Agent, Federal Employees Pay Council and the Advisory Committee on Federal Pay. The Board would design and implement up to 10 alternative programs each involving between 10,000 and 25,000 employees. The programs would utilize the concepts of setting pay based on total compensation comparability, pay-for-performance, collective bargaining, regional pay or a combination of such concepts.

The measure also establishes an independent Commission on Federal Pay which will evaluate the programs implemented by the Board. Within five years, the Commission must submit a report and recommendations to Congress on means to set federal pay in accordance with the principles of total compensation comparability.

Clearly, HR 4738 seeks a general solution to a general problem which is the only approach which holds any hope of true success.

We submit that the legislation now before this Committee will, in the long run, exacerbate the problems. Therefore, we urge the Committee to seek a solution to the whole problem of pay setting; one which will place all federal employees on equal footing with their private sector counterparts.

Thank you.

AMERICAN FEDERATION OF
GOVERNMENT EMPLOYEES
AFFILIATED WITH THE AFL-CIO
KENNETH T. BLAYLOCK, NATIONAL PRESIDENT
JOHN N. STURDIVANT, EXECUTIVE VICE PRESIDENT
ALLEN H. KAPLAN, NATIONAL SEC. TREAS.
80 F STREET, N.W., WASHINGTON, D.C. 20001
Telephone (202) 737-8700

IN REPLY PLEASE REFER TO:
Sf/Pay Testimony

November 10, 1986

The Honorable Ted Stevens
Chairman
Subcommittee on Civil Service,
Post Office and General Services
Washington, D. C. 20510

Dear Senator Stevens:

In response to your request of October 1, 1986, and we are submitting responses to questions raised by Senator Gore, regarding S. 1327, S. 1727, and S. 2082.

Sincerely,

Ken Blaylock
Kenneth T. Blaylock
National President

Enclosures

TO DO FOR ALL THAT WHICH NONE CAN DO FOR ONESELF

1. Can you tell us briefly the differences between engineers, scientists, technicians and technologists?

Engineers apply knowledge of science in order to make materials, natural resources and power useful.

Scientists, on the other hand, perform research or other work in order to gain further knowledge in their particular scientific specialty. For example, physical scientists perform research to gain knowledge of matter, energy, physical space, time, the nature of measurement, fundamental structural particles and the nature of the physical environment.

Engineers apply what has been learned by scientists toward making this knowledge useful.

Engineering technicians apply knowledge, gained mainly through experience, of the methods and techniques of engineering in order to assist in the solution of engineering problems.

Engineering technology, as a separate occupational specialty, is recognized by the Office of Personnel Management only for experimental use by Department of Defense installations in Arizona, California, Hawaii and Nevada. Engineering technologists perform some engineering functions such as design, development or evaluation. According to OPM, the work is comparable in level to that of professional engineers but does not require full professional engineering competence.

1A. Are people being incorrectly classified by OPM as engineers?

Strictly speaking, "people" are not classified, it is the positions they occupy that are classified. Normally, it is not OPM that classifies positions since this authority is delegated by OPM to the individual agencies. The OPM role in this process is to issue the classification standards to the agencies and oversee the classification process government-wide which includes periodic reviews and the handling of classification appeals.

Agencies do indeed misclassify positions. In its many classification reviews conducted within the past five years, OPM has found this fact to be true. In the majority of misclassifications, the error has been to classify positions at a higher grade than what is justifiable under the applicable standards. This pressure to raise grades improperly is not limited to a few agencies nor to a few occupations, it is generally an endemic problem.

Is it justifiable? To answer this, we must understand that agency management is caught in a dilemma:

On the one hand, its first obligation is to accomplish its mission within available resources. On the other hand, it has a legal obligation to adhere to the personnel statutes requiring proper classification of positions. As comparability of pay for federal employees falls further and further behind, agencies cannot compete with the private sector for employees if they are to be assigned to underpaid positions. If the pay is not raised towards comparability, then there is pressure on the classification system to raise the grade in order to achieve an artificial, albeit illegal, comparability. Misclassification of positions as to grade may not be the only way in which the classification system is warped by lack of comparability. If agencies are to compete for recruitment and retention of the best engineering technicians, for example, agencies may be pressured to classify non-professional technician positions as professional engineering positions in order to achieve pay and career progression for technicians that are comparable to that received in the private sector. Another example is that agencies may be recruiting, as has been reported, engineering technologists who receive compensation and career progression equivalent to that of professional engineers. All these practices whether legal or illegal tend to diminish the standing of professional engineers holding bona fide engineering positions in the government. These practices are, however, symptomatic of the problems created for government agencies as well as the employees by failure to achieve comparability.

2. Are you in favor of extending the [China Lake] project to all federal employees?

AFGE is opposed to extending the China Lake/San Diego pay demonstrative project to all federal employees.

The China Lake project was designed to resolve the recruitment and retention difficulties of scientists and engineers in a remote and unique labor market. There is no evidence that its application on a workforce as broad and diverse as the federal government will work. While the salaries of employees covered by the China Lake project rose moderately (6-7%), the administration's proposal to extend China Lake to the entire workforce requires it to be "revenue neutral." A pay-for-performance scheme that is revenue neutral will not provide adequate pay increases, will not motivate employees, will not increase productivity and, in short, will not work.

Furthermore, the administration's proposal sharply limits union and employee rights. Illustrative is the fact that under the Simplified Management System, the coverage of an employee's position is not subject to review or appeal. The assignment of a position to a career path or pay band is excluded from "conditions of employment" for labor-management purposes. The methods for determining progressions within a pry band are also not grievable.

In short, the administration's proposal seeks to undermine the delicate existing statutory balance of federal labor-management relations.

3. If an alternate personnel system makes government employment more attractive, how will that affect the private sector/government interaction?

Currently, the private sector enjoys a vast advantage over the federal government by being able to offer salaries and compensation packages which are substantially more competitive than those available to engineers and scientists contemplating service in the federal sector. Federal salaries for entry level scientists and engineers lag the private sector by as much as 50%. As a result, the federal government is relegated to hiring less than outstanding college graduates. Raising salaries for entry level government scientists and engineers -- comparable to those in the private sector -- will remedy the government's current inability to compete in hiring top flight personnel. Currently, the private sector has a distinct advantage in manpower selection.

The federal government has to compete with the private sector for qualified employees from the existing labor pool. The govenment must be able to accurately survey the occupations in the private sector and more importantly, apply this data to achieve realistic rates of pay for similar federal occupations. Currently, the wage data is not applied, or the system is manipulated through the misuse of the classification system. In short, the federal personnel system is not attractive now, and restoring comparability is the best method to rectifying the imbalance in private sector/federal interaction.

In summary, the system of comparability is a market-based system. If properly applied, it will keep the government in a proper competitive position with the private sector -- not setting the pace in wage rates and not lagging so far behind that we experience the current problem of recruitment and retention.

We do not need massive pay reform and we do not need a new pay system. We can correct the problem by improving the shortcomings of the current law in the area of methodology and calculations of the data collected in the private sector, and by applying the corrected wage movement to the federal sector.

The antiquated classification system should be overhauled or junked!

Low or non-performance should be handled by supervision and disciplinary methods -- not distortion of a pay system.

66-308 1329

NAGE SEIU
NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES
AFFILIATED WITH SERVICE EMPLOYEES INTERNATIONAL UNION, AFL/CIO
1313 "L" STREET, N.W., WASHINGTON, D.C. 20005
202/371-6644

STATEMENT BY

THE NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

TO THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE
AND GENERAL GOVERMENT

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

REGARDING

SPECIAL PAY RATES AND ALTERNATIVE PERSONNEL SYSTEMS

MAY 14, 1986

Thank you, Mr. Chairman for this opportunity to appear before the Subcommittee to testify on S-1327, S-1727, and S-2082, legislation designed to address the significant recruitment and retention problems in certain occupational groups caused by the inadequate compensation paid to federal employees.

As you know under the terms of the Pay Comparability Act of 1970 federal pay is based on the principle of comparability with the private sector. The theory behind the pay act is fair. Unfortunately, the law is tragically flawed by the power it extends to the President to cap pay. In application the Pay Act has based federal pay on short term policial expedience making the system a complete failure.

As a result of the failure of the Pay Act, federal employees lag behind their private sector counterparts by approximately 20%. This result has been substantially supported by the President's Pay Agent as well as the General Accounting Office and the Hay Huggins Company. The failure of the Pay Act has resulted in serious recruitment and retention problems in the federal service. Increasingly the government is becoming an employer of last resort. Many of our best and brighest employees, in all fields, have left government service for the private sector and more lucrative salaries. This loss of personnel is causing the loss of millions of dollars through decreased experience and skill levels, and decreased productivity.

The pay problem for federal employees is a structural problem which demands the comprehensive solution of amending the Pay Act. The three bills under consideration this morning all recognize that pay gaps between private and federal employee salaries are causing recruitment and retention problems in a variety of locations and occupations. The three bills under consideration today S-1327, S-1727, and S-2082 all attempt to address some aspect of the federal pay crisis in a good faith and constructive manner.

S-1727 is designed to address the government's problem in attracting and retaining scientists and engineers. The legislation provides broad authority to federal agencies to establish pay and incentives. A similiar piece of legislation, S-2082 is designed to address the government's problem in attracting and retaining the quality employees it needs to monitor it's acquisition programs. Both these bills are structured on the China Lake experiment. This experiment conducted at one non union setting has never been fully evaluated by an objective party.

These two bills would expand the China Lake experiment to cover approximately 190,000 additional employees, predominantly scientist and engineers. We are skeptical that the application of the performance appraisal system advocated by China Lake can be accomplished in a fair and objective manner without extending additional protections to employees to guard against the arbitrary and capricious exercise of power by supervisors. In addition there are additional administrative costs associated with running a personnel system with several pay systems. The impact of competition between agencies at the same location for the best employees should also be examined.

Senator Trible has introduced legislation, S-1327, which amends the law regarding special pay rates. Under current law OPM has the controlling role in determining when special pay rates can be paid. The agency must demonstrate to OPM that special pay rates will improve recruitment and retention of hard to fill positions, and that these problems are caused by inferior federal salaries OPM is under no time limitation for it's response and has used this authority to interminably delay their response. OPM also is not required to make it's decision based upon any set of guidelines.

S-1327 reforms the special pay authority by requiring OPM to respond within 45 days of the Agency request, or the request is implemented. The bill also allows special pay rates to be justified for a broader variety of reasons giving greater discretion to agencies to address the special problems of their mission.

The bill is however flawed in several areas. Employees under special pay rates would be granted step increases in accordance with the performances management and recognition system. There is no evidence which demonstrates that this increased authority can be used in a fair, and impartial manner. Finally the bill should clarify that special pay rate employees should receive, at a minimum the comparability adjustment given to federal employees under the general schedule. As you are aware OPM has used the special pay rate authority to deny employees even the pay rate granted general schedule employees.

The major deficiency in all three bills under consideration, is they reform federal pay in a piece meal fashion. The entire federal pay system is in drastic need of overhall. We also are concerned about the precedent of having the various authorizing committees enacting legislation etablishing differing pay and personnel policies for the employees within the covered agencies. We could easily forsee the creation of hundreds of pay systems fostered by authorizing committees with little understanding of overall personnel policies or compensation systems. This would lead to an obvious fragmentation in the pay system, and increased administrative costs and competition between government agencies for the best and brightest employees. Most importantly this approach will undercut efforts to make the comprehensive changes needed in the federal pay system.

The federal pay system's is in drastic need of reformation - - - for all federal employees. We are eager to work with the Committee to explore a variety of different approaches for this reform. One approach that we endorse is that found in HR 4738 introduced by Congresswoman Oakar. This bill provides for the testing of a variety of alternatives means for setting pay. These programs could test as many as ten different ways of setting pay. The test programs would be evaluated in terms of the desireability of extending the programs government wide at the end of a five year period. In addition to testing and evaluating alternative methods for setting pay, Oakar's bill would provide greater protections to insure that workers receive yearly comparability increases equal to those received in the private sector. Under the Oakar bill the authority of the President to cap pay would be more strictly limited and would in essence, require approval of both the House and Senate. This is a much needed change that addresses the fundamental problems in the Pay Act. NAGE believes that the HR 4738 presents an innovative, and creative approach to the pay crisis.

Mr. Chairman we'd like to address some remarks to the administration proposals to extend the China Lake experiment throughout the entire government workforce. As we indicated earlier the China Lake experiment does not provide any evidence to justify extending the program government wide. The experiment took place in a comparatively small unit, of non union personnel who were primarily scientist and engineers. In addition the program has never been fully evaluated by any objective source. We note Mr. Chairman, that the employees at China Lake received a greater pay increase than General Schedule workers, which might soley account for alleged improvements in morale and productivity. I suspect that any comparative groups of workers who received larger pay increases than their collegues would show improvement in morale. OPM has not elected to utilize their authority to run demonstration projects to further test any of these variables, rather they seek to blindly leap into the brink and extend this untested concept government wide. There is no concrete support for such radical and irresponsible change. NAGE supports testing a variety of approaces for reforming pay. We need hard data based on solid experience before we radically reform the largest pay system in the world.

We thank the Committee for this opportunity to testify and will attempt to answer any questions.

NAGE SEIU

NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

AFFILIATED WITH SERVICE EMPLOYEES INTERNATIONAL UNION, AFL/CIO

1313 "L" STREET, N.W., WASHINGTON, D.C. 20005
202/371-6644

October 30, 1986

The Honorable Senator Ted Stevens
Chairman, Subcommittee On Civil Service
Post Office and General Service
601 Hart
U.S. Senate
Washington, DC 20510

Dear Senator Stevens:

Attached please find the answers of the National Association of Government Employees to the questions of Senator Gore following the Subcommittee hearing of May 14th on S-1327, S-1727 and S-2082.

Thank you for your time and attention.

Sincerely,

Ed Murphy
Edward L. Murphy
Legislative Counsel

ELM/dj

ANSWERS OF THE NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

ANSWER - QUESTION #1

The alternative pay system experiments at China Lake and San Diego have been much quoted but have received very little study or analysis. There was no attempt at these experiments to "control" for other variables which might impact on morale. In addition everybody at these locations was a winner under the experiment since they all received a greater pay increase than did the rest of the General Schedule. So is it suprising that federal employees liked a pay system which gives all employees a greater raise? Even Pavlov's dogs responded positively to a reward. We know in the real world that the Administration's pay plan would create winners and losers, and greater concerns about favortism, and abuses of discretion. These concerns have not been tested at all in these OPM "experiments".

As the Senator points out in his questions federal employees work for the government for reasons other than financial. Many federal employees work for the government out of patriotism and related emotions. NAGE believes the commitment to service on the part of employees whether they be janitors, or engineers is important to the governments mission. It is a factor which we believe has received inadequate consideration in contracting out situations.

ANSWER - QUESTION #2

A large part of the morale problem in the federal workforce has been caused by inadequate pay. It must be realized that even the most committed federal employees must weigh that commitment against his/her obligation to the financial support of family goals. The government will continue to lose a percentage of it's best and brightest employees unless it can pay comparable wages to those received in the private sector.

The Congress must realize that it is penny wise and pound foolish to pay federal workers inferior wages. It must make a commitment to pay adequate wages even in the current budget climate.

ANSWER - QUESTION #3

We strongly oppose the implementation of an alternative personnel system for the reasons cited in my testimony. We would hate to choose between implementing a bad system agency wide or implementary the same bad system skill by skill as both options are equally damaging to effected employees. It appears to us however that implementing the changes agency wide would be more damaging.

ANSWER - QUESTIONS #4

As the Senator astutely points out OPM has failed miserably to utilize it's authority to conduct demonstration projects on alterntive means of setting pay. This has occured in large part because OPM is interested only in pay for performance and hasn't the slightest interest in other alternatives. Given this bias by OPM we think it important for Congress to mandate that experiments be conducted on a full range of alternative means of setting pay. This is the only way Congress can insure that the full range of options is tested.

TESTIMONY OF

JOHN W.GREGORITS, P.E. AND DONALD G. WEINERT, P.E.

ON BEHALF OF THE

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

AMERICAN ACADEMY OF ENVIRONMENTAL ENGINEERS

AMERICAN SOCIETY OF MECHANICAL ENGINEERS

ASSOCIATION OF SCIENTISTS AND ENGINEERS

ON LEGISLATION TO MODIFY

THE RATES OF PAY FOR FEDERAL ENGINEERS

SUBCOMMITTEE ON CIVIL SERVICE, POST OFICE,
AMD GENERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE

May 14, 1986

Chairman Stevens and Members of the Subcommittee:

On behalf of the National Society of Professional Engineers (NSPE), I want to thank you for this opportunity to share our views on federal personnel systems for scientists and engineers. I am John W. Gregorits, P.E., past chairman of NSPE's Professional Engineers in Government division, and Chief of the Analytical Evaluation Branch of the U.S. Army Armament Research and Development Center in Dover, New Jersey. I have served the U.S. government for 28 years, first as an engineer and later as an engineering manager.

In addition to NSPE, this testimony is endorsed by the American Academy of Environmental Engineers, the American Society of Mechanical Engineers' Board of Member Interests and Development, and the Association of Scientists and Engineers. A short description of the size and nature of the organizations is found at the end of our testimony.

As professional societies, we believe that the federal government should have the strongest possible cadre of engineers and scientists. Of the major economic sectors, the federal government employs the highest proportion of technically trained people in its work force. Approximately six percent of all engineers are directly employed by the government. When indirect employment is considered, that figure rises to thirty percent, making the government a dominant user of engineering goods and services throughout the economy, and a major generator of a substantial share of the nation's research and development.

To underscore the significance of those statistics, I call your attention to a recent report of the National Research Council, entitled Engineering Education and Practice in the United States - Foundations of our Techno-Economic Future. The report recommends that "in view of the strong dependency on engineering talent for many of its most important activities, the federal government should review its compensation policies to ensure that it can competitively recruit and retain a high-quality engineering work force."

We applaud the Subcommittee for taking the initiative to explore this issue, and urge you to move forward with changes in federal compensation and personnel practices that will make federal employment a more attractive option for engineers and scientists. We are especially supportive of the changes proposed by legislation introduced last fall by your colleagues Mr. Fuqua and Sen. Bingaman, and hope you will agree that the time has come to give agencies the authority to establish new and separate systems for engineers and scientists that can be tailored to meet their special circumstances.

Without an adequate supply of qualified engineering talent, our nation's public works infrastucture, space program, federal laboratories and other critical areas will not be able to meet the demands of our increasingly technologically dependent society. To derive maximum benefit from public investments in these and other technically oriented areas, the public sector must attract and retain top engineers and scientists. The quality of research, design and construction projects is directly dependent on responsible technical talent; with mediocre manpower we can expect only mediocre work.

While there are many outstanding engineers throughout the government, there is also a substantial number of under-qualified people in key engineering positions. Because of an inability to attract top engineering applicants, agencies, laboratories and other federal institutions are hiring mediocre or unqualified people, and then promoting them to positions that far exceed their abilities and training. An excellent example of this situation was provided in a letter cited in Sen. Bingaman's testimony.

In that case, an engineering technology graduate, who had an educational background with about half the required course hours to be rated eligible for an engineering position, was given a GS-5 rating and then, within a thirty-month period, was promoted to a GS-11 engineering position. According to the letter, the supervisor "realized that he could not perform even very simple engineering tasks", yet instead of being demoted to a more suitable position, he was simply transferred to another engineering group when it became clear that his performance was unsatisfactory. That case, unfortunately, is by no means atypical.

Another related problem affects government contractors. Engineers working for private firms under contract with the government often find themselves doing business with people who don't understand the engineering they have contracted for; as a result, communication is poor and it is often difficult for the contractor to determine exactly what is needed. This certainly reduces the efficiency of the process and adds immeasurable administrative burden to both the government and its contractors.

One of the major reasons engineers are not seeking government jobs lies in the relative unattractiveness of federal engineering employment. At most college campuses, federal agencies don't even bother trying to recruit from the engineering schools. At job fairs, the preponderance of students who talk with government representatives are engineering technologists and others not educated as engineers. While many of these students may have been exposed to fundamental engineering principles, they have been trained to work as research aides and technologists, not as engineers. Compared with other professional opportunities available to young engineers, the government just does not compete, given the personnel and compensation system currently in place.

The problem of employing top-flight engineers affects not just entry-level positions; it is equally difficult to lure prominent, senior-level engineers and scientists into top jobs throughout the government. That has a particularly deleterious effect on the national laboratories, which depend on such talent to perform sophisticated research. In a recent analysis of the federal labs, White House Science Council Chairman David Packard concluded that a major impediment to improving the research conducted by government-operated laboratories was their inability to attract and retain qualified technical staff due to inadequate compensation. The General Accounting Office found that federally employed engineers experienced a pay disparity of 47% below the private sector at the entry level, and 25% below the GS-11 level, according to a 1984 report.

It has been argued that special pay rates can be used to correct this problem. Setting special pay is a laborious process whereby each agency must prove conclusively an inability to hire engineers, by documenting that federal salaries are not competing effectively with the local market. Each year, the Office of Personnel Management sends a questionnaire survey to agencies currently experiencing hiring problems or those already under special pay rates. On the basis of the resulting data, OPM makes a decision to increase or freeze salaries or to drop special pay for certain categories.

While this may sound like a straightforward process, it does not accurately gauge problems in recruiting technical personnel. Surveys are generally completed by personnel or classifications specialists, who often do not even request input from their engineering departments. As a result, serious shortages often go undetected. Furthermore, because of the repeated generic use of the term "engineer" to describe government positions ranging from technicians, to technologists, to graduate engineers, to licensed professional engineers, personnel specialists often look at "engineering slots" rather than researching the qualifications and educational backgrounds of the individuals required by and filling those slots. In good conscience, surveys are completed showing no major difficulties in hiring engineers, when in fact graduates of four-year ABET-accredited engineering programs are in great demand and not attracted to the government. Consequently, even though positions are filled, they often are not occupied by qualified engineers.

Even OPM's basic qualifications standards work against staffing engineering positions adequately. An engineering technician can become an engineer in the federal government by virtue of qualifying under "alternate methods." For instance, under related curriculum, "successful completion in an accredited college or a full four years or longer related curriculum leading to a bachelor's or higher degree in engineering technology or in an appropriate professional field, for example, physics, chemistry, architecture, computer science, mathematics, hydrology or geology may be accepted in lieu of an engineering degree provided the candidate has had at least one year of professional engineering experience acquired under professional engineering supervision and guidance." I wouldn't want my appendix removed by an individual with an analogous background in medicine who has been placed in a "physician's slot."

Once such individuals receive the title "engineer" and spend time in that position, they then fall under the provision of "experienced" in an engineering position. It is the fallacy of this career system that individuals can advance without hard engineering skills or education to practice engineering and, worse yet, to move into management positions, supervising licensed engineers.

The bottom line is that the special pay rate system which was established to answer the need for shortage occupations is overly complex and of questionable effectiveness. A 1984 GAO report indicated that over half of the special-pay-rate positions are engineering ones, amounting to 19,000 positions at that time. Engineers worldwide in the GS-5 through 9 grades, and in some specialties beyond GS-9, have been under special pay rates for over ten years. This is in itself a strong indication that the problems have not been solved by the current system. Given the fact that nationwide engineering unemployment has historically been two percent or less, and that our society is becoming increasingly more dependent on technology, the demand for engineers is likely to continue.

There has been legislation proposed, H.R. 3480 and S. 1727, that would provide a solution that is both flexible and responsive. Since each agency that so desires can develop and implement its own program, change can occur at a pace consistent with their diverse needs and resources. The broad pay bands recommended give managers flexibility to reward top performers and encourage improvement across the board. By establishing a separate retirement program, concerns about the portability of pensions can be met.

In general, we strongly support the bills and urge your approval. We do hope, however, that more specific definitions of engineering and scientific personnel can be included for engineering positions; the language should specify as a minimum an engineering degree from an institution of higher education with programs accredited by the Accreditation Board for Engineering and Technology, or a professional engineering license. Professional advancement and demonstrated competence in specific branches of engineering can be recognized through peer-controlled specialty certification programs such as that offered by the American Academy of Environmental Engineers. It is important that the federal government take advantage of the professional credentials commonly accepted throughout the engineering community, built on both state-sponsored and peer-sponsored examinations. We would be happy to work with the Subcommittee and your staff to develop appropriate language.

Another concern lies in the performance-appraisal system. Often, agency executives and personnel are not technically expert and cannot accurately gauge technical job performance. As a result, administrative matters creep into the standards and, in some cases, the basis for appraisal centers on such factors as meeting suspense dates, administering leave and placing contracts rather than on technical performance. We urge that responsibility for evaluating the performance of technical employees rest with technically qualified managers, and reflect the technical performance required by the position.

We appreciate your leadership on this critical issue, and look forward to our working together toward our common goals.

ACCOMPANYING STATEMENT

BY DONALD G. WEINERT, P.E.

EXECUTIVE DIRECTOR

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

Thank you for the opportunity to appear with John Gregorits on behalf of NSPE. John has served most recently as a civilian engineer in research and development. I thought my background in the Corps of Engineers would bring a complementary perspective to the points raised by John and provide even greater understanding of NSPE's viewpoint. Prior to assuming my current position, I did serve twenty-six years with the U.S. Army Corps of Engineers, where I had extensive exposure to engineering compensation and personnel issues.

To appreciate the breadth of our concern over compensation and personnel issues, it is necessary to understand the broad scope of engineers' and scientists' roles and contributions to the workings of government. More than leadership in military research and technology is involved. Our leadership in agriculture, housing and urban development, space and many other areas is at stake.

Engineers are primarily involved in four areas of public service. First, engineers are widely known for their visible accomplishments: planning, design, construction, operation, maintenance, repair, and rehabilitation of civilian and military facilities. The necessity for timely responses to national needs demands a qualified and experienced in-house engineering and scientific work force. The private sector alone cannot be expected to effectively meet all governmental needs, especially those connected with major natural disasters, military requirements and mission-essential facilities. NSPE endorses the contracting out of government services for design and construction of facilities to the extent practical. However, public confidence in the privatization of design and construction of civilian and military facilities must be accompanied by competent technical oversight of design and construction contracts in terms of both fees and quality of work. Furthermore, there must be a competent in-house government capacity to perform mission-essential engineering and scientific tasks in the absence of private-sector capability.

The second area of involvement is in acquisition and procurement of technically sophisticated equipment and materiel. Decisions in that important area should be strongly influenced by engineering evaluations and judgments. While procurement specialists are excellent contract administrators, they often lack the technical expertise necessary to make appropriate procurement decisions. Without the scientific and engineering expertise to technically evaluate sophisticated concepts, scope of effort, and cost of materials, there is the danger of bad procurement decisions.

A third area of engineering and scientific involvement is relatively small but very important. Engineers and scientists in high-level agency positions can have a strong influence in regulation and rule making. Yet, technical input is frequently lacking when stringent standards and technical regulations are established.

Finally, many engineers and scientists in government are employed in federally owned and operated laboratories where much of the fundamental engineering and basic scientific research in the U.S. is conducted. Academia, private industry and private research institutions account for the remainder, but their work is not necessarily geared toward the needs of government. The Department of the Navy experience at China Lake demonstrates how a flexible pay and classification system can improve the hiring and retention of engineers and scientists in a research and development environment. We concur with these results and the Packard Commission's recommendation for expanded use of the China Lake model.

S. 1727 and H.R. 3480, the Federal Science and Technology Revitalization Act of 1985, are the closest legislative translation of the Packard Commission report concerning modifications to current civil service laws. The bills address the inextricably intertwined personnel and pay problems confronting the acquisition and retention of quality engineering and scientific personnel in the federal government. Moreover, the lack of a "dual ladder" is a problem, i.e., the inability to provide advancement and compensation for technical competence and productivity alone in the absence of broad managerial responsibility and longevity, could be substantially alleviated through the establishment of a Senior Scientific and Technical Personnel Service (SSTPS). The current civil service system pays the highest compensation to those individuals with the most management responsibilities. We lose many of our best technical people because the private sector can lure them with greater rewards for their technical competence, or they eventually shift from technical to management positions in their agencies to gain the desired rewards. In either case, the government loses essential technical expertise. The SSTPS not only could help retain and promote our best engineers and scientists, but also could attract top technical people into government service with pay and benefits comparable to those of the private sector.

The Subcommittee also has under consideration the Defense Enterprise and Initiative Act of 1985 (S. 2082). This bill primarily addresses defense acquisition deficiencies; however, we note that it applies only to an elite corps of acquisition specialists which may or may not contain engineers and scientists. It would not benefit the majority of engineers and scientists working for the federal government.

The legislation to modify existing special pay rates (S. 1327/H.R. 2836) would mitigate some of the compensation problems affecting engineers and scientists in government, but it would not significantly change the present personnel system. In our view, it would be less effective than S. 1727/H.R. 3480 in retaining and attracting qualified individuals to mid- and upper-level positions. We believe the benefits of the China Lake experience cannot be realized unless broad reforms to the civil service system acknowledge the specialized personnel and compensation challenges facing the government in attracting and retaining top-flight engineers and scientists.

In summary, NSPE supports fundamental changes to the current civil service system for engineers and scientists as envisioned by S. 1727 and H.R. 3480. We strongly caution the Committee against alternatives that would apply only to one agency such as the Department of Defense. That would not be in the overall interests of the federal government. Higher wages, more lucrative benefit packages and increased latitude in career advancement in a single agency would provide that agency with a competitive advantage in hiring and retaining qualified engineers and scientists to the detriment of other agencies. Siphoning engineering and scientific talent from one agency to another is not a good solution to the problem. All agencies that require engineering and scientific expertise should have the same ability to implement a more flexible pay and personnel system.

In closing, I want to emphasize that there is an immediate and urgent crisis in attracting and retaining high-quality scientific and engineering talent in the federal government. I am aware that there may also be problems in other federal occupations that could benefit from a more flexible performance-based system. However, I urge that you move immediately on implementing a new system for engineers and scientists and use that experience as a possible springboard for later expansion to other occupations as appropriate.

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

NSPE represents 75,000 professional engineers of all disciplines, who are employed in private practice, industry, education and construction, as well as in government. We are organized into 54 state and territorial societies and over 535 local chapters across the nation, and are dedicated to the professional concerns of engineers and public service.

AMERICAN ACADEMY OF ENVIRONMENTAL ENGINEERS

AAEE provides a program for the certification of engineers in seven environmental engineering specialties. Modeled on the medical specialty boards, the Academy's peer-controlled certification program exists to provide the consumer with guidance and assurance in retaining environmental engineers of proven capability. Currently over 2,300 engineers have been certified by this voluntary, self-regulation process.

AMERICAN SOCIETY OF MECHANICAL ENGINEERS

ASME is a technical and educational organization with more than 113,000 members. It conducts one of the largest technical publishing operations in the world and holds over thirty technical conferences each year. This statement on rates of pay for Federal engineers is endorsed by ASME's Board of Membership Interests and Development. It represents the considered judgment of that Board rather than an official position of ASME.

ASSOCIATION OF SCIENTISTS AND ENGINEERS

ASE is an organization of approximately 700 engineers and scientists within the Naval Sea Systems Command having as its object to promote the professional development of the membership, to foster a spirit of good fellowship and cooperation, and to maintain high standards of professional ethics and competence.

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

NSPE

October 22, 1986

The Honorable Ted Stevens
Chairman
Subcommittee on Civil Service, Post Office
and General Services
Committee on Governmental Affairs
Room SH-601 Hart SOB
Washington, DC 20510

Dear Mr. Chairman:

Thank you for the opportunity to provide additional information for your subcommittee's May 14 hearing on S. 1327, S. 1727 and S. 2082. Enclosed are answers to four questions from Senator Gore, which time did not permit during the course of the hearing.

Sincerely,

Don Weinert

Donald G. Weinert
Executive Director

Enclosure
cc: Thurgood Marshall
Minority Staff Director/Counsel

1. It has been suggested that the success of the alternative pay system at China Lake and San Diego has come not because of the increased pay and flexibility but because the employees feel that they are making a unique patriotic contribution to the country through their work. Do you think that this is true? Do you believe this would be a common phenomenon at many government facilities?

   If the sucess does come from a patriotic feeling or a sense of the importance of the mission, isn't that an argument against contracting out? Wouldn't a worker employed directly by the government gain a better feeling for the value of his/her work?

2. As you know, the Administration has announced its intention to expand an alternative personnel system throughout the federal workforce. OPM estimates that the phase-in process may take from 3-5 years.

   In addition, the current budget climate precludes many of the budget increases which might alleviate some of the federal pay problems. Given this situation, how do you suggest we implement some of the changes you have suggested?

3. There has been debate over the way an alternative personnel system should be implemented. If forced to choose, would you prefer to have the system implemented skill-by-skill or agency-by-agency?

   It has been argued that government agencies would be competing with each other for the best employees if a personnel system was implemented agency-by-agency. For example, if NASA was under the alternative personnel system, it is argued that they would be in a position to lure the best employees away from other agencies, such as DoD. Do you find this a complelling argument?

4. It has been 5 years since the demonstration projects at China Lake and San Diego were established. There has been no visible use of OPM's deomonstration project authority. Do you believe further legislation is necessary to encourage the use of that authority?

1. Certainly, every employee of the federal government feels a unique relationship for our country because of the daily work with the running of the country. It may very well be true that persons working on behalf of our nation's security believe their work is a patriotic contribution to the country. We do not believe, however, that this is sufficient incentive to keep a valued employee from seeking a position in the private sector which pays from 25 to 45 percent more than a comparable government position. Studies like the Packard Commission's report on defense management have shown that there is a need to alter the current personnel system in order to attract and retain quality employees. As stated in its interim report to the President: "The Secretary of Defense should have increased authority to establish flexible personnel management policies necessary to improve defense acquisition. An alternate personnel management system, modeled on the China Lake Laboratory demonstration project, should be established to include senior acquisition personnel and contracting officers as well as scientists and engineers . . . This is necessary if DoD is to attract and retain the caliber of people necessary for a quality acquisition program." (pp. 16-17)

   The demonstration project at China Lake may have instilled a feeling of espirit de corps because employees were rewarded on the basis of merit for their contributions to special research and development efforts. I believe that a heightened patriotic spirit came about from increased pay and flexibility and that phenomenon could spread to other government agencies under similar circumstances.

   We at the National Society of Professional Engineers support the philosophy of contracting out to the maximum extent possible and necessary to meet the demand for these services. The private sector should be relied upon for services when the Federal government's internal capacity is insufficient and where adequate private sector capability is available.

2. There are two general choices: (1) improve the quality of your workforce by lowering the overall number of federal employees; or (2) reduce program outlays and shift those savings into employee compensation and benefits. We support the latter approach.

3. We would ideally prefer to have an alternative pay system implemented on a skill-by-skill basis. The recruitment and retention of federal engineers is reaching a critical point. We share your concern that the best employees could be siphoned-off if the alternative personnel system is implemented over a long period of time. With the current personnel ceilings on agency hiring, however, agency competition for the best employees should not be a severe problem over the short-term. There will be too few new vacancies available. Although there is a need to improve the entire civil service system, we believe we are at a critical point in the recruitment and retention of engineers in the federal workforce to where we need change now, not in three to five years.

4. No, since the demonstration authority still stands, we believe that the demonstration projects were instituted to encourage new ideas and systems that, if successful, could be adopted by the rest of the government. We believe China Lake has proven that success and we encourage adaptation of this system now for engineers worldwide.

STATEMENT OF

RAY KLINE
PRESIDENT
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

BEFORE
THE SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE
AND GENERAL SERVICE
OF
THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
ON

S.1327, "SPECIAL PAY RATE REFORM";
S.1727, "THE FEDERAL SCIENCE AND TECHNOLOGY
REVITALIZATION ACT OF 1986"; and
S.2082, "THE DEFENSE ACQUISITION ENTERPRISE AND INITIATIVE ACT"

May 14, 1986

Mr. Chairman, Members of the Subcommittee:

It is my pleasure to respond to your invitation to the National Academy of Public Administration to comment on personnel policy issues in S.1327, Special Pay Rate Reform; S.1727, The Federal Science and Technology Revitalization Act; and, S.2082, The Defense Acquisition Enterprise and Initiative Act.

The Academy, chartered by the Congress in 1984, is a private, non-profit, non-partisan organization of elected membership created in 1967 to conduct studies and provide advice on the problems of government. The Academy has conducted studies that bear on aspects of the proposed legislation, and this statement represents the views of the panels of Academy members responsible for the conduct of these studies.

I would like to discuss two particular aspects of Federal pay at issue in the proposed legislation: the pay comparability system which embraces the higher minimum rate feature amended by S.1327; and the special provisions in S.1727 related to executive compensation.

Although The National Academy has not conducted any comprehensive study of the Federal pay comparability system, its Standing Panel on the Public Service does have a continuing interest in this matter and believes strongly that the system is in need of improvement.

Recent testimony before this subcommittee by Rosslyn S. Kleeman of the U.S. General Accounting Office included a factual status report on the Federal pay comparability system. The essence of that report is that the system is failing, as indicated by a large and widening gap between Federal and private sector pay due in large part to the adoption of alternative pay rates by the President and the Congress for the eighth straight year; and by the increased load and stress on the special rates program as the bureaucracy continues to attempt to cope with the program. Against that background, The GAO supported the purpose and intent of S.1327 to broaden and strengthen the white collar special rates program.

The Academy's Standing Panel on the Public Service substantially agrees with the GAO and endorses S.1327 as necessary first steps to rescue a "failing" system. A number of the features of S.1327 are today applied in the private sector with good results. At the same time, however, the Panel urges the Subcommittee to undertake the more fundamental task of improving the basic pay comparability framework and process.

The Panel believes that a fair, credible, consistent pay setting mechanism is vital to the quality and vigor of the public service. It is the foundation needed to attract and retain a competent workforce. The way the current system has operated — or has failed to operate — is becoming a significant distraction to workforce morale and productivity.

As to executive-level pay, S.1727 introduces a special provision for a limited number of scientists and engineers that would sever the linkage between their pay and that of Congress. The National Academy addressed executive pay and the linkage issue in its recent study of the Presidential Appointments Process. In its final report, The Fraying of the Presidential Appointment System — a copy of which I offer to the Subcommittee for inclusion in the record — the Academy study panel included the following recommendations:

- Procedures for determining Executive Level compensation should be remodeled to permit the president to recommend periodic salary adjustments to the Congress.
- The statutory linkage that ties the salaries of presidential appointees to those of members of Congress should be severed.
- Broader differentials should be established to correct the existing compression of salaries in Executive Levels I through IV.

The first is entirely procedural. The Supreme Court's 1983 decision in Immigration and Naturalization Service v. Chadha threw into question the constitutionality of the quadrennial salary review mechanism established in 1967. This action was surfaced for high priority on the legislative agenda.

The second recommendation would sever the linkage between congressional and presidential appointee salaries. Under the current system, created in 1967, the salaries of members of Congress are required to equal the salaries of appointees at Executive Level II in the five-level executive pay structure.

I believe every group that has studied executive compensation since this linkage was established has thought it a bad idea. Our study panel agrees. As long as the linkage remains in place, there is little likelihood of realistic realignment of executive salaries to match those of the private sector.

One of the indirect impacts of this policy of linking congressional and Level II salaries has been a compression of all Executive Level salaries. The spread between Executive Level II and Executive Level V is not very broad. In the middle three executive levels, the differences are barely discernible and do not come close to recognizing the enormous difference in management responsibilities exercised by those levels.

Turn now to the provisions of S.1727 and S.2082 that propose the establishment of alternative personnel systems. These provisions support recommendations advanced by two blue ribbon studies: the White House Council's Federal Laboratory Review Panel, and the President's Commission on Defense Management. In its interim report of February 28, 1986, the Commission on Defense Management found that "...a more flexible system..." and "...major innovations in personnel management and regulations..." are needed; and recommended "...an alternative personnel management system, modeled on the China Lake Laboratory demonstration project."

These findings and recommendations come as no surprise to the Academy. Over the past several years, study panels have found that many of the Federal program management problems are attributable, in part, to the constraining complexity and inflexibility of one or more of the Federal administrative systems. Government-wide personnel policies and procedures are frequent, major offenders in this regard — particularly those regulating the classification and compensation systems. A comprehensive assessment of this matter and its debilitating impact on workforce performance is documented in an Academy panel report, Revitalizing Federal Management: Managers and their Over burdened Systems, published in November 1983, which I offer to the Subcommittee for the record. In the area of personnel management the report makes a solid case for flexible, decentralized systems — managed by the executives and managers who must make them work. All of the Academy studies have this one message in common: the need for personnel systems that let managers manage.

The Department of the Navy's experiment with alternative systems at both the Naval Ocean Systems Center in San Diego and the Naval Weapons Center at China Lake has been adjudged to be successful by those participating in the evaluation of results. The Navy, DOD, OPM and others involved have learned a great deal from this dynamic experiment in operating organizations. The Academy supported the research and demonstration provisions of the 1978 Civil Service Reform Act which authorized this kind of experimentation and endorses the expansion of this approach to other areas of government. It is especially important to expand

the Navy's approach to other organizational elements with significant numbers of employees in critical occupations, such as research scientists and engineers, procurement specialists, and others as soon as the organization demonstrates the readiness to take on the task. The problems related to hiring, retention and workforce management in these organizations are real and in some cases severe.

While the National Academy recognizes the value and need for alternative personnel management systems, our Standing Panel on the Public Service suggests a different approach from S.2082 and S.1727 to provide them. This panel observes that the problem is not limited to the Department of Defense alone, or solely to selected skill areas such as contract and procurement specialists or research scientists and engineers. It extends to other critical organizations and occupations throughout the Federal establishment.

We are persuaded that a key lesson learned at NOSC and China Lake is that the installation of alternative personnel systems is most effective when the management of the organization implementing the experimental system is prepared for and committed to making the new system work, and when the General Schedule employees of the organization are all included in a single, cohesive system. To segregate skill areas, such as scientists and engineers, or acquisition officers, invites enormous problems of personnel management for the people who run these organizations as varying standards and processes are applied for hiring, pay, training and development, and retention.

There is a growing body of opinion that in the final analysis the pay and personnel system problems are endemic throughout the government and will not be solved without major reform. Hopefully, reform efforts would be guided by some broader testing of experimental features designed to meet the unique needs of organizations, and then applied under a consistent set of standards and criteria administered by a central authority.

The Academy can bring its unique resources to bear on any specific aspect of these issues. The Academy includes among its membership distinguished individuals who have been directly involved with federal procurement and personnel issues throughout their careers in both the public and private sectors, in both defense and non-defense programs, and from both the executive and legislative perspectives. The Academy stands ready to assemble its resources and be of assistance to the Subcommittee in any way it can.

I want to thank the Subcommittee for the opportunity to present testimony for the National Academy of Public Administration.

T-GovtAff/TTT

ipma

International
Personnel
Management
Association

1617 Duke Street
Alexandria, Virginia 22314
(703) 549-7100

May 12, 1986

Senator Ted Stevens
Chairman, Subcommittee on Civil
  Services, Post Office and General Services
SH601 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Stevens:

Last year, we wrote to Senator Trible to express the unqualified support of the International Personnel Management Association (IPMA) for his legislative proposal (S. 1327) which would revise the Federal government's special pay rates program. We are writing you at this time since you are currently conducting hearings on S. 1327 and other related personnel legislation to reaffirm our support for enhancement of the special pay rates system.

The International Personnel Management Association is an organization representing over 1,000 member agencies including civil service commissions, merit system boards, and personnel departments at the federal, state and local levels of government. The Association, which was established in 1973 through the consolidation of the Public Personnel Administration (founded in 1906) and the Society for Personnel Administration (founded in 1937) represents over 55,000 individuals primarily personnel professionals and personnel administrators in the public sector. In 1980, the Association established a Federal Section whose membership is comprised of federal level personnel professionals. The Association attempts to foster and develop interest in sound personnel administration by providing a focus and forum for personnel professionals throughout the United States and abroad.

1986 EXECUTIVE COUNCIL

President
CHARLES A. POUNIAN
Hay Associates
Chicago, Illinois

President-Elect
SANDRA BILOON
State of Connecticut
Hartford, Connecticut

Past President
SANDRA M. COMRIE
Transamerica Occidental
Life Insurance Company
Los Angeles, California

COUNCIL MEMBERS

JOHN D. ABSMEIER
Simi Valley
Unified School District
Simi, California

DONNA D. BEECHER
U.S. Department of Health
and Human Services
Washington, D.C.

RICHARD C. BRAINERD
Ramsey County
St. Paul, Minnesota

GARY M. CANNON
City of Camden
Camden, South Carolina

SAMUEL H. DEAN
U.S. Equal Employment
Opportunity Commission
Washington, D.C.

TERRY EDGEWORTH
Manitoba Civil Service Commission
Winnepeg, Manitoba, Canada

JOHN E. MILLETT
Pennsylvania Civil Service
Commission
Harrisburg, Pennsylvania

LOIS SCHUTTE
U.S. Government
Printing Office
Washington, D.C.

BARBARA A. SHOWERS
Wisconsin Department
of Regulation and Licensing
Madison, Wisconsin

MARIAN C. WALLUKS
City of Madison
Madison, Wisconsin

Executive Director
DONALD K. TICHENOR

Broadening the current authority for setting special pay rates is desperately needed in order to improve the competitive position of the Federal government, particularly for the scientific/engineering occupations. If the Federal government is to recruit the best qualified individuals, this type of relief must be provided. We realize that other legislation S. 1727 and S. 2082 also provide for compensation flexibility, however, we prefer a broader occupational approach, as contained in S. 1327 in order to improve the current system.

The Association supports the expansion of the reasons which would justify the establishment of special rates. We also believe that the bonus provision of S. 1327 will offer an additional incentive which will enhance the recruitment process.

The Association strongly endorses S. 1327 and appreciates the opportunity to provide its comments. If the Association can provide any additional information, please do not hesitate to contact me.

Sincerely,

Charles A. Pounian

Charles A. Pounian
IPMA President

tpt

Statement For The Record
by Stephen G. Kellison, Executive Director
American Academy of Actuaries
to the
Civil Service, Post Office
and
General Services Subcommittee
of the
House Committee on Governmental Affairs
Hearings on Civil Service Rates of Pay

May 30, 1986

The American Academy of Actuaries is pleased to offer the following comments on S.1327 and S.1727, two bills that would permit higher rates of pay for hard-to-hire federal employees. The Academy is a professional association of actuaries which was formed in 1965 to bring together into one organization all qualified actuaries in the United States annd to seek accreditation and greater public recognition for the profession. The Academy includes members of three founding organizations--the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, and the Society of Actuaries.

The Academy serves the entire profession. Its main focus is the social, economic, and public policy environment in which the actuarial profession functions. Its primary activities include liaison with federal and state governments, relations with other professions, the dissemination of public information about the actuarial profession and issues that affect it, and the development of standards of professional conduct and practice.

We have examined both of the proposals, and we would like to make some general observations relating to the issues addressed in these bills.

Professional actuarial positions have been in the OPM's Management Shortage categories for many years. Actuarial positions in federal service are not concentrated in one agency, but rather are spread over approximately ten different agencies. Chief actuaries of these various agencies have told me that it is extremely difficult to recruit qualified candidates primarily because federal salaries are not competitive with the private sector. Although the disparity in salaries occurs at all salary levels, it appears to be more severe for entry-level positions and senior positions than for middle-level positions.

Unlike a number of professionals, such as doctors and engineers, who pursue professional training in graduate school, aspiring actuaries undertake a series of actuarial examinations given withn the actuarial profession to achieve their "advanced degrees".

The most widely accepted standards of educational qualification for actuaries consist of Fellowship in either the Society of Actuaries or the Casualty Actuarial Society. Admission to membership in either society is by examination only. There are ten examinations in either program and successful completion of all ten earns an actuary the designation "Fellow." This designation represents a comparable level of achievement in either organization and is, in essence, the Ph.D. of the actuarial profession. In recruiting actuaries, private industry recognizes the importance of these actuarial examinations by graduating starting salaries based on the number of actuarial examinations completed.

The Academy does not offer examinations leading to membership. However, we do directly utilize the two examination systems of the Society of Actuaries and the Casualty Acturial Society in our educational standards for membership.

One problem encountered by federal agencies in retaining highly qualified actuaries is the ability to rapidly promote indviduals who are passing these examinations quickly. It has proven to be more difficult for agencies to do this than it would have been if the equivalent training were being achieved by graduate degrees. A Tentative Standard for Actuary Series, GS-1510, dated November 5, 1982 was developed by the Office of Personnel Management but never finalzed. We support revisiting this standard and adopting it as a positive step in achieving greater parity between the public and private sectors.

With this background in mind, we hope that as the committee considers S.1327 and S.1727 recognition will be given to the difficulties encountered by federal agencies in hiring and retaining qualified actuaries. S.1327 specifies that for certain positions higher minimum rates of pay might be established. It is our belief that actuarial positions in federal service are every bit as vital as the positions designated and should be included among these positions.

S.1727 refers to scientific and technical employees and defines such employees as those who are "required to have an advanced level of knowledge in one of the mathematical, computer, physical, or natural sciences or in chemical, electrical, mechanical, or other engineering and is customarily expected to have acquired such advanced level of knowledge in a prolonged program of specialized intellectual instruction and study in an institution of higher education." As our earlier comments indicated, the rigorous actuarial examination program is clearly equivalent to a graduate program in these technical areas. We hope that the committee will recognize this fact in their consideration of S.1727.

The Academy would be happy to work with the committee in providing any additional information, such as private sector salary surveys for actuaries, that might be useful.

LIST OF FEDERAL AGENCIES EMPLOYING ACTUARIES:

1. Department of Defense
2. Department of Labor
3. General Accounting Office
4. Health Care Financing Administration
5. Housing and Urban Development
6. Internal Revenue Service
7. Office of Personnel Management
8. Pension Benefit Guaranty Corporation
9. Railroad Retirement Board
10. Social Security Administration

○